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Supreme Court of the United States

OCTOBER TERM, 1943

No. 4

OWENS-ILLINOIS GLASS COMPANY, *et al.*,
Appellants,

v.

UNITED STATES OF AMERICA,
Appellee

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF OHIO, WESTERN DIVISION

BRIEF FOR APPELLANTS OWENS-ILLINOIS GLASS COMPANY and ITS ASSOCIATED INDIVIDUAL DEFENDANTS

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Supreme Court of the United States

OCTOBER TERM, 1943

OWENS-ILLINOIS GLASS COMPANY, *et al.*,
Appellants,

v.

UNITED STATES OF AMERICA,
Appellee.

No. 9

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF OHIO, WESTERN DIVISION

BRIEF FOR APPELLANTS[1]

OPINION BELOW

The opinion of the District Court is reported in 46 F. Supp. 541.

[1]The appellants in No. 9 are Owens-Illinois Glass Company, an Ohio corporation (hereinafter called Owens or the corporate Owens Defendant), William E. Levis, E. F. Martin, John H. McNerney, R. H. Barnard, C. B. Belknap, Harold Boeschenstein, W. H. Boshart, H. E. Collin, George P. Greenhalgh, W. W. Knight, F. H. McAdoo, C. J. Root, and F. W. Schwenck (hereinafter called the individual Owens Defendants). Owens and the individual Owens Defendants are hereinafter collectively called the Owens Defendants. Owens assumed its present name in 1929 when The Owens Bottle Company acquired part of the assets of Illinois Glass Company. Prior to 1919 the name of The Owens Bottle Company had been Owens Bottle Machine Company.

JURISDICTION

This is a suit in equity brought December 11, 1939, by the United States pursuant to Section 4 of the Sherman Act for an injunction against appellants and others in respect of certain agreements and acts alleged to constitute a violation of Sections 1 and 2 of said Act.[1]

The final judgment of the District Court granting a comprehensive injunction was entered on October 8, 1942.[2] A petition for appeal was filed on December 3, 1942, and was allowed the same day.[3] Jurisdiction is conferred on this Court by Section 2 of the Expediting Act[4] and Section 238 of the Judicial Code.[5] Probable jurisdiction was noted on March 1, 1943.[6]

INTRODUCTION

The "Statement of the Case" and "Summary of Argument" contemplated by this Court's Rules can best be consolidated into, and the "Questions Presented" indicated by, this Introduction.

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[1]Act of July 2, 1890, c. 647, Secs. 1, 2 and 4, 26 Stat. 209; 15 U. S. C. Secs. 1, 2 and 4. In view of this Court's familiarity with Sections 1, 2 and 4 of the Sherman Act, it seems unnecessary to reprint them here. While the complaint also alleges against the Owens Defendants violation of Section 3 of the Clayton Act the only violation of that Act found by the District Court did not involve any of the Owens Defendants. (Conclusion of Law 66 (R. 7415-6)).

[2]R. 7653-92. For the sake of brevity the final judgment is hereinafter referred to as the decree.

[3]R. 7746-7, 7777.

[4]Act of February 11, 1903, as amended, 32 Stat. 823, 36 Stat. 1167; 15 U. S. C. Sec. 29.

[5]36 Stat. 1157, 38 Stat. 804, 43 Stat. 938; 28 U. S. C. Sec. 345.

[6]R. 16532.

Owens's Development, 1903-1924.

Just before the turn of the century, Michael J. Owens, a glass blower by trade, invented suction gathering of glass, a fundamental principle which revolutionized the manufacturing of glass containers.[1] About 1903 he invented machinery for the automatic blowing of bottles using suction gathering.[2] The rights under these inventions in the fields of "bottles and jars" became vested in the predecessor of the corporate Owens Defendant at its organization in 1903, earlier licenses having been granted to others in the non-container fields.[3]

The early efforts of Owens lay primarily in the development and commercial licensing of the new machines. But by 1908 it began manufacturing bottles.[4] Its new machine was best adapted to the narrow neck type of ware, and it was to that type that Owens principally devoted its energies.[5]

By 1916 Owens had become the largest American bottle manufacturer.[6] It had not, however, elected to retain for itself its full monopoly under its patents and to exclude others, as it had the right to do, from the fields of use which it was not exploiting. It had granted licenses to other manufacturers for various types of containers which it was not itself producing.[7]

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[1]R. 6264.
[2]FF 91 (R. 7295).
[3]Ex. O-5209 (R. 3756, 9574-9); R. 6230-1, 6237-8.
[4]FF 96 (R. 7296); R. 4337.
[5]Ex. O-6014 (R. 6390-1, 16132-42A); R. 6267, 6272, 6423.
[6]Ex. O-6014 (R. 6390-1, 16132, 16134).
[7]Exs. O-5208 (R. 3756, 12328-67), O-5948 (R. 6244, 9709-21), O-5995 (R. 6371, 9721-38), O-5996 (R. 6371, 9738-54), O-5997 (R. 6372, 9755-69), O-6004 (R. 6387, 9772 A-B), O-6005 (R. 6388, 9773-80), O-6007 (R. 6390-1, 16082-7).

From the days of hand blowing down to the present, no single manufacturer has ever attempted to produce and market all types of glassware.[1] It would be uneconomic so to do. The manufacture of different types has always required different manufacturing technique.[2] The marketing of different types has involved differing markets with different marketing problems.[3] Accordingly, the various manufacturers have always specialized upon particular ware. For example, Owens has always been predominantly a manufacturer and marketer of narrow neck bottles.[4] Hazel[5] has always been primarily in the so-called wide mouth ware,[6] Thatcher[7] primarily in milk bottles,[8] Ball[9] primarily in fruit jars[10] and Corning[11] primarily in the non-container field.[12] Thus the division of the industry into "fields" long antedated the invention of glassware-making machinery and was the result of an economic situation, not of agreements or understandings.[13]

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[1]R. 4313, 6389. [2]R. 2453, 2863, 6273-4, 6389.
[3]R. 1400-1, 4314, 5516-7, 6414. [4]R. 6423.
[5]The defendant Hazel-Atlas Glass Company, a West Virgina corporation.
[6]R. 2543.
[7]The defendant Thatcher Manufacturing Company, a New York corporation.
[8]Exs. 1465 (R. 3532, 12112), 1466 (R. 3532, 12113).
[9]The defendant Ball Brothers Company, an Indiana corporation.
[10]Ex. 1481 (R. 3532, 12128).
[11]The defendant Corning Glass Works, a New York corporation, engaged chiefly in the manufacture of incandescent bulbs, signal and optical ware, heat resisting ware, and other forms of specialty ware, commonly known as the non-container field as distinguished from the container field and sometimes referred to by the District Judge and the Findings of Fact as the "Corning field."
[12]FF 5 (R. 7278); R. 645.
[13]R. 1400, 4314, 6389; Ex. O-5946 (R. 6241, 15618-33). Ex. O-5946, a directory of glass manufacturers published in 1886,

Not only were the Owens machines expensive to construct, but they largely rendered obsolete much of the apparatus ancillary to blowing under the old hand and semi-automatic techniques. Because of the great expense involved in the installation of the new and experimental apparatus and the larger furnaces and lehrs[1] necessary to their efficient operation, no manufacturer could reasonably take the monetary risks involved unless given the competitive advantage of exclusive rights in the field in which it proposed to use the new inventions. Accordingly, most of the licenses issued by Owens granted to the licensee the exclusive right to use the new inventions to manufacture the defined types of glass containers in which the licensee was then specializing.[2] That the licenses were granted for specific "fields" was but the practical result of an existing business fact.[3]

The original Owens invention was of the suction type.[4] With the revolution in the industry initiated by the Owens inventions, others sought to develop other types of auto-

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indicates that even then the present division of the industry into "fields" was well established and recognized.

[1]R. 6280. After glassware leaves the suction machine, or the forming machine in the case of gob feed apparatus, it is carried by a conveyor into a lehr, or closed tunnel, where it is stacked onto a belt which moves slowly through an annealing chamber. The purpose is to cool off the ware very gradually and evenly, in order to remove all strain, or a greater part of the strain, from the substance of the glass. If this is not done, the glassware is very brittle and breaks easily when subjected to sudden change of temperature or rough handling.

[2]Exs. O-5211 (R. 3756, 9591-607), O-5213 (R. 3758, 9611-2), O-5948 (R. 6244, 9709-21), O-5995 (R. 6376, 9721-38), O-5996 (R. 6371, 9738-54), O-6011 (R. 6390-1, 16110-5).

[3]R. 6389.

[4]R. 6264. In the suction machine, the molten glass is drawn up by suction into the blank mold from an extension to the furnace and the completed article is formed in the finishing mold of

matic bottle making machinery.[1] The research of Owens's own laboratories was devoted not only to improvements upon suction machines but also to developing other less complicated and less expensive devices of the flow and gob types. As early as 1906 Owens conceived and patented a forming machine fed by a stream type feeder, providing an alternative method for accomplishing the same results accomplished by the original suction machines. The experiments with this first machine were not entirely successful. By 1920, however, Owens worked out a feeder of the gob type.[2]

Notwithstanding the successful development of the gob feeder-former type machine, to this day approximately 80% of the production in the Owens factories is on suction machines.[3] Yet despite the facts that the basic patents upon suction apparatus expired in 1921, and that the improvement patents now alive create no practical obstacle to efficient use of suction machines, all other glass container manufacturers, since the advent of the gob feeder-former machines, have preferred them to suction machines. Even those who sought and received suction licenses have long since ceased using that type of machine.[4]

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the same machine. A single machine thus acts as both a feeder and a forming machine. In the gob feed process, the only other commercial automatic feed process, the molten glass flows by gravity through a hole in the bottom of an extension to the furnace and a mechanism known as a feeder severs the stream of glass into gobs and drops them into the blank molds of a forming machine, which then complete the forming of the article. Thus the separate feeder and forming machine constitute the two parts of a unitary operation. The so-called stream or flow type of feeder, the crude predecessor of the gob feeder, also operates similarly with the forming machine, but its use in the industry is now insignificant.

[1]R. 4310-26.

[2]R. 6277-304. This feeder was claimed to, and probably did, infringe Hartford patents. (R. 6473).

[3]R. 6486.

[4]See pp. 34-7, *infra*.

Other inventors, during the second decade of the century, were devoting their efforts primarily to the development of gob feeders. Owens's inventions in that field were constantly in conflict with others both in the Patent Office and in the courts.[1]

Owens's Relationship with Hartford and Hazel, 1924-1935.

Among those with whom Owens came into conflicts in the Patent Office and with whom litigation continued through 1923, were Hartford[2] and its predecessors, Empire[3] and Hartford-Fairmont Company.[4]

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[1]Ex. 973 (R. 2572-3, 8027-35); R. 4310-29, 4512-35, 4900-4, 6289-90, 6456-65.

[2]The defendant Hartford-Empire Company, a Delaware corporation.

[3]The defendant Empire Machine Company, a Maine corporation, which was engaged primarily in patent research and development for Corning. In 1916 Empire entered into a contract with Hartford-Fairmont, the effect of which was to vest in Hartford-Fairmont licensing rights in defined fields under specified patents, the Corning interests reserving to themselves complete shop rights and receiving from Hartford-Fairmont exclusive rights under specified patents in the fields in which Corning was primarily interested. (FF 29 (R. 7283-4)). Hartford-Fairmont was controlled by Beechnut Packing Company, a user of glass containers, the Monongah Glass Company, and a group of engineers engaged in research work on automatic machinery for producing glassware. Hartford was organized in 1922. It became the successor to all of Hartford-Fairmont's assets and patent rights and also acquired, in substance, licensing rights under all the present and future glassware and glass machinery patents of Corning and Empire in defined fields. Corning reserved shop rights in all fields and also received from Hartford exclusive rights in the fields in which it was interested. Upon Hartford's organization, Empire became the owner of about 40% of its stock.

[4]Exs. O-6184 (R. 6763, 8595-7), 973 (R. 2572-3, 8027-35); R. 4900-4, 8595-7.

Hartford was a lessor and licensor of machinery of the gob type. It did not manufacture glassware.[1]

Developments of gob type apparatus by both Owens and Hartford created a situation in which the industry required the patents of both to accomplish maximum efficiency.[2]

For the purpose of breaking their patent impasse in the gob field Owens and Hartford entered into an agreement dated April 9, 1924.[3] Hartford was given exclusive licensing rights for feeders and feeder-fed formers under the Owens patents, Owens, however, retaining a limited veto power over Hartford's licenses under Owens's patents.[4] Owens was to receive 50% of Hartford's income from its licensing of feeders and formers, after deduction of $600,000. Owens also received a non-exclusive feeder-former license under Hartford's patents for containers of defined types. This agreement did not deal with suction type apparatus at all.

To settle disputes between Hazel and both Owens and Hartford as to Hazel's patent rights, including those under agreements entered into between Owens and Hazel in 1909, Hartford, Owens and Hazel entered into new agreements in 1932. Both Owens and Hazel granted to Hartford non-

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[1]R. 638-41.

[2]R. 1932-3, 4384-7, 6520; Exs. 1893 (R. 5233, 11101-11), 1919 (R. 5297, 14471-5), O-5953 (R. 6263, 12035), O-6027 (R. 6402, 16148-52), O-6028 (R. 6402, 16153-7), H-5233 (R. 3823, 11168-84), H-5234 (R. 3824, 11242-58), H-5244 (R. 3835, 14944-5), H-5259 (R. 3853, 11309-429), H-5260 (R. 3853, 11302-5), H-5261 (R. 3853, 11306-8), H-5262 (R. 3854, 11430-2), H-5266 (R. 3854, 11445-6), H-5267 (R. 3854, 11447-50), H-5398 (R. 4881, 15095-115).

[3]Ex. 55 (R. 810, 8629-65).

[4]This veto power was canceled in 1931. (Ex. 411 (R. 1248, 9102)).

exclusive licensing rights under their patents with respect to feeders and feeder-fed formers, and in turn each of them took non-exclusive licenses from Hartford for containers of defined types at Hartford's standard rates of royalty.[1] Hazel received a participation in Hartford's licensing income. Owens also received an option on Hartford's suction inventions and an extension of the time and scope of the exclusive license under Hazel's suction patents originally granted in 1909. Owens continued its prior grant to Hazel of rights under its suction patents for defined fields of ware.

In recognition of the specialization of different glassware manufacturers in specific fields of ware, the feeder and former licenses issued by Hartford were to manufacture glassware of defined types, usually upon feeders and formers leased by Hartford to the licensee. In some instances the licenses were for specified quantities. Suits were brought to enforce and protect against infringers the patents under which Hartford had licensing rights. Between 1924 and 1935 patent rights, and in some cases manufacturing assets, of others were acquired by various of the corporate defendants, largely in settlement of patent conflicts either in the Patent Office or in the courts. In much of this patent litigation and in several of these acquisitions Owens participated.

The Alleged Violations of the Sherman Act.

The agreements of 1916 and 1922 leading to the formation of Hartford, but to which Owens was not a party;

[1]Exs. 142 (R. 917, 8764-80), 143 (R. 917, 8780-3), 144 (R. 917, 8783-7), 145 (R. 917, 8787-803), 146 (R. 917, 8803-5), 147 (R. 917, 8805-12), 148 (R. 917, 8813-21), 149 (R. 917, 8821-7). The previous arrangement under which Hartford had exclusive licensing rights under the Owens patents was expressly canceled.

those of 1924 and 1932, to which Owens was a party; the practices of the parties in patent litigation and in acquisitions of patent rights and manufacturing assets, and Hartford's methods of leasing and licensing machinery for manufacturing defined fields of ware, were held by the District Court to constitute violations of the anti-trust laws, participated in, in varying degrees, not only by Owens, Hartford, Hazel, Corning and Empire, but also by Thatcher, a licensee in the field of milk bottles, Ball, a licensee in the field of fruit jars, and Lynch,[1] a manufacturer of forming machines but not of glassware, and by a total of 55 of the officers and directors of those corporate defendants and 4 other individuals. The District Court also found that the activities of Glass Container Association, Inc. (a statistical and research organization formed in 1919, whose members include all the corporate defendants and all but two of the other glass container manufacturers in the United States) and 2 of its officers, violated those laws.

The facts supporting the appellants' dissent from these findings are complex.[2] Those facts, as well as the governing principles of law, have been analyzed in the briefs filed on behalf of Hartford in No. 7, on behalf of Corning in No. 8, on behalf of Hazel in No. 10 and on behalf of the Container Association in No. 14. To minimize the burden imposed upon the Court by the briefs of the many appellants, the Owens Defendants will not attempt an independent analysis of the arrangements of 1924 and 1932,

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[1]The defendant Lynch Corporation, an Indiana corporation.

[2]The assignments of error relied upon in connection with the contention that none of the acts or agreements of the Owens Defendants prior to October 1, 1935 violated either the Sherman Act or the Clayton Act are numbers I; II; III (1)-(36), (38)-(78), (90)-(103); IV (11)-(17); V; VI; VII (1), (3).

or of the conduct of the Owens Defendants prior to October, 1935.[1]

It is the primary purpose of this brief to deal with (1) the withdrawal of Owens in 1935 from its previous relationships with the other corporate defendants, which the District Court held to be illegal, and (2) the unprecedented decree entered by the District Court, confiscating the inventions, future as well as past, of the individual as well as of the corporate defendants.

Owens's Withdrawal in 1935.

In 1935 Owens decided to withdraw from participation in the licensing arrangements with Hartford and Hazel and to confine itself to glassware manufacturing.

Accordingly, on or about October 1, 1935, Owens did so withdraw. All Owens's old agreements with Hartford and Hazel were canceled and new agreements were entered into which completely divorced Owens from Hartford's licensing.

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[1]The District Court found a conspiracy in restraint of trade affecting feeder, former, lehr and stacker apparatus necessary for the entire operation of glass container manufacturing. In so far as feeder and former apparatus was concerned, Owens was a party to the arrangements thus condemned by the District Court. In so far as lehrs and stackers are concerned, however, the Record is wholly lacking in any evidence to sustain the finding of the District Court involving the Owens Defendants in such a conspiracy. This error of the District Court will be important only if this Court retains in the decree Paragraphs 24 and 26, which in effect confiscate patents of the defendants on the alleged authority of this Court's decisions in the *Morton Salt* and *B. B. Chemical* cases. As the Owens Defendants cannot envision such retention, the District Court's error with respect to lehrs and stackers will not be dealt with in the main portion of the brief but in Appendix A.

However, to avoid depriving Hartford licensees of the use of Owens's inventions, Hartford purchased from Owens unrestricted, non-exclusive licensing rights under the Owens patents on feeders and formers. Having both its own patents and such rights under the Owens patents, Hartford was in a position to continue to give to existing licensees, and to give to prospective licensees, licenses under, and machines embodying, both sets of patents in any field of use.[1]

Owens ceased to share in the profits of Hartford, even from the licensing by Hartford under Owens's own patents.

Owens was left free to license the world under all the Owens patents in all fields and on such terms as it might choose.

For the rights which it granted to Hartford Owens received from Hartford $2,500,000 and licenses under Hartford's feeder, former and suction patents. In so far as Hartford's feeder and former patents were concerned, Owens was a mere non-exclusive licensee in a defined field, paying standard royalties. In the suction field Owens received from Hartford a paid-up non-exclusive license.

Owens and Hazel continued their prior exchange of paid-up suction licenses.

It is the sincere belief of the Owens Defendants that the 1935 agreements effectively withdrew Owens from any possible violation of the anti-trust laws which may have ex-

[1]Except fiberglas, as to which no allegation of anti-trust law violation was made in the complaint. Fiberglas is expressly excluded from "glassware" as defined in the decree and hence from the operation of those provisions of the decree relating to glassware or glassware machinery or processes. (Paragraph 1(B)). Accordingly licenses unrestricted as to glassware are hereinafter treated as unrestricted licenses even though they may not include the right to use the licensed inventions in connection with fiberglas.

isted in the antecedent arrangements and that by no subsequent conduct has any possible antecedent violation been continued.

In no event can the 1935 agreements be regarded as an affirmative creation of a restraint of trade. Their purpose was to remove all possible doubts as to the legality of the Owens-Hartford relationships and their effect was to remove all possible pre-existing restraints.

Liability of the Individual Owens Defendants.

In the District Court the Department of Justice relied upon Section 14 of the Clayton Act[1] to impose, in this civil case, a derivative liability on the part of the officers and directors of the corporate defendants for the alleged violations by their corporations, which the Department contended had been authorized or joined in by the individual defendants. The decree, however, goes far beyond the imposition of any such derivative liability. It punishes Owens's officers and directors in respect of their individual property not related to the corporate Owens Defendant (particularly patent rights) and both beyond any period of their connection with Owens and beyond any field of industry related to the present litigation. Furthermore, the punitive provisions of the decree are directed against individual Owens Defendants whose only connection with the alleged conspiracy lay in their authorization of the 1935 agreements, intended to withdraw Owens from the alleged illegalities.

The Decree.

A decree against a defendant in an equity proceeding by the United States for violation of the anti-trust laws must be directed "to prevent and restrain" the violations charged

[1]Act of October 15, 1914, ch. 323, Sec. 14, 38 Stat. 736; 15 U. S. C. Sec. 24.

in the complaint. It may not be an all comprehensive injunction against violations of the anti-trust laws disassociated from those alleged in the complaint. It may not impose mere punitive restraints upon the defendants.

The decree entered in this case contains voluminous provisions enjoining generally continuance of the alleged violations, specifically canceling all the alleged illegal agreements, and enjoining in great detail any cooperation among the defendants in imposing restraints of any character in the glassware field, any cooperation among them in Patent Office proceedings, and any acquisition by any of the defendants of any securities, or the acting by any of the individual defendants as officers, of any other corporation in the glassware industry. These provisions, as will be pointed out below,[1] require material modification both to relate them to the alleged violations involved in the present case and to bring their vague, indefinite and all-comprehensive language into compliance with many decisions of this Court. When so modified they will be more than sufficient to terminate and prevent the recurrence of any action by any of the defendants, including the Owens Defendants, violative of the anti-trust laws, even if it be assumed that there was such action the effects of which were still continuing at the date of the decree.

The Department of Justice was not, however, content with such a decree. Its approach was punitive. On the ground that the defendants "had a propensity to violate the law," it sought a general injunction against all violations of the anti-trust laws irrespective of any connection with the charges of the complaint. It sought also a decree radically modifying the patent laws as they had been interpreted by this Court and understood for a century. It,

[1]Point III.

in effect, sought from the court legislation which had been repeatedly denied by Congress.

The District Court bowed to the decisions of this Court in confining the general injunction (Paragraph 9) to the subject matter of the complaint.[1]

But the District Court disregarded all the decisions of this Court and a century of legislative history in other provisions which it incorporated in the decree.

By Paragraph 24, all the Owens Defendants are perpetually enjoined from carrying on interstate commerce in glass making machinery and glassware unless they agree to grant to anyone who may apply royalty-free licenses under all their existing patents and patent applications relating to glassware machinery and methods, for the life of the patents.

Thus is the patent property of all the Owens Defendants, individual and corporate, to be confiscated for periods which may run into decades. This shocking result the Department of Justice sought to justify under the decisions of this Court in the *Morton Salt* case[2] and the *B. B. Chemical* case,[3] disregarding the fact that the doctrine of those cases would at most justify only an injunction against a patentee's enforcement of patent rights *used to accomplish a violation* of the anti-trust laws *so long as the effects of the violation continue.*

But the decree does not stop at confiscation of patent rights which, being in existence at the time of the decree,

[1]However, in Paragraph 9, it disregarded both Section 19 of the Clayton Act, which provides "Every order of injunction or restraining order shall set forth the reasons for the issuance of the same, shall be specific in terms, *and shall describe in reasonable detail, and not by reference to the bill of complaint* or other document, the act or acts sought to be restrained," and Rule 65(d) of the Federal Rules of Civil Procedure to the same effect.

[2]*Morton Salt Co.* v. *G. S. Suppiger Co.*, 314 U. S. 488 (1942).

[3]*B. B. Chemical Co.* v. *Ellis et al.*, 314 U. S. 495 (1942).

conceivably might have been employed in effecting the alleged violations of law. All of the Owens Defendants, individual and corporate, are required, as a condition to engaging in interstate commerce in the glass industry, to agree that their future inventions shall be free to unrestricted public use subject only to the right to collect a royalty fixed by the court as reasonable.

Besides imposing on all the Owens Defendants a punitive forfeiture of their patent rights, present and future, within the glass industry, the decree, by Paragraph 29, extends its legislative effect beyond that industry. All of the defendants are, in substance, perpetually enjoined from granting any patent license relating to any machine, method or product whatsoever, *whether or not relating to glassware,* other than a non-exclusive unrestricted license. Specifically there are enjoined, on the one hand, substantially all the ordinary use, quantity and territorial restrictions of patent licenses, and on the other hand all preferential grants to licensees, including exclusive licenses. Going still further afield, Paragraph 29 perpetually enjoins granting to any vendee a "preferential position" or "different provisions of * * * sale," in the sale of any product, *whether or not glassware,* embodying any patented invention of any of the defendants.

Paragraph 51 perpetually prohibits each defendant from acquiring, except from within its own organization, any patent, or exclusive rights under any patent, on any invention employed in a machine or process for the manufacture of glassware to obtain results similar or alternative to those obtainable by a machine or process covered by patents of the acquiring defendant. The prohibition relates not only to patents on competing machines or processes but also to patents on mere improving inventions

which cannot be practiced without infringement of the defendants' patents. The decree thus sets up both a barrier to the unblocking of future patent jams and a discriminatory restraint upon the defendants, as compared with other glassware manufacturers, in obtaining apparatus for efficient lawful competition.

The decree, however, is not limited to prohibiting the acquisition of patents from others. By Paragraph 52, all the defendants, individual as well as corporate, are, in substance, perpetually enjoined from filing or prosecuting applications for patents *on their own inventions* if those inventions either (1) look to "obtaining results in the glassware making art identical with, similar or alternative to, those obtained or obtainable by" other inventions of the applicant defendant, or (2) are improving inventions upon competing glassware inventions of others, and during four years after issue of the patent the applicant (a) excludes others from using the invention, and (b) fails itself to make commercial use of the invention.

The right to prevent use of the patentee's invention by others is the sole grant of an American patent even when the invention has no value except as an improvement upon some earlier invention of another. The power to exclude others—even such an earlier inventor—from such use is limited by the valid claims of the patent. There is no legal obligation on a patentee ever to use his patent.

Not only does the decree thus outlaw the inventions of the individual Owens Defendants for the lives of their patents, beyond the natural lives of the defendants, and the inventions of the corporate Owens Defendant in perpetuity, but by Paragraph 1(D) it also attaints the assets and stock of Owens in whatever hands they may come, and extends its broad outlawries, covering patents

and patented products unrelated to the glass industry, to any purchaser of those assets or stock and to the purchaser's own subsequent independent inventions. Similarly the attainder passes to the assets and business of any presently independent corporation which any defendant may hereafter acquire, even though not engaged in the glassware business. This apparently is true however lawful may be the acquisition of assets or stock of a defendant, or of another corporation by a defendant, and however innocent of any anti-trust law violation may be the purchaser, or the purchased corporation.

A decree which thus recklessly and indiscriminately imposes perpetual punitive restraints on the defendants, corporate and individual, both beyond any reasonable necessity for restraining and preventing recurrence of the alleged anti-trust law violations within the industry concerned and also affecting the defendants in industries unrelated to the subject matter of the alleged violation, is an abuse of judicial discretion and beyond the power of the District Court under Section 4 of the Sherman Act. The punitive character of the decree is accentuated by the fact that before the decree was entered every restriction of field of use, quantity or otherwise had been eliminated from every Hartford license involved in the case. As to Owens, both all the licenses to it and all the licenses from it were wholly unrestricted, non-exclusive licenses.

SPECIFICATION OF ASSIGNED ERRORS TO BE URGED

The errors assigned by Appellants are set forth in approximately 200 numbered paragraphs and cover 30 pages of the Record.[1] All the errors assigned are material to the issues presented in this brief and are discussed under the headings to which they relate.

[1]R. 7747-76.

POINT I

THE DISTRICT COURT ERRED IN NOT HOLDING THAT OWENS'S 1935 AGREEMENTS WITHDREW OWENS FROM ANY ANTECEDENT UNLAWFUL PATENT POOL AND IN HOLDING THAT THOSE AGREEMENTS AND OWENS'S SUBSEQUENT CONDUCT VIOLATED THE ANTI-TRUST LAWS.[1]

1. The Owens-Hartford-Hazel Relationships, 1924-1935.

The relationships of Owens with Hartford under the 1924 agreement, and with Hartford and Hazel under the 1932 agreements, and the various practices of the parties prior to October 1, 1935, condemned by the District Court, have already been broadly sketched.[2]

It is the contention of the Owens Defendants that even if all their relationships with other defendants prior to October 1, 1935, were illegal, and even if the District Court was right in condemning practices in which the Owens Defendants participated prior to October 1, 1935, the Owens Defendants completely abandoned those relationships and practices on October 1, 1935, and never thereafter participated or engaged in any relationship with any of the other defendants or in any practice, in continuance of the antecedent relationships or practices or otherwise, violative of the anti-trust laws.

It is the purpose of this Point I to deal with the situation after October 1, 1935.

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[1]The assignments of error relied upon in connection with Point I are numbers I; II; III (17), (20), (21), (37), (70)-(74), (76), (78)-(90), (94), (97)-(99), (101); IV (1)-(10), (13)-(14); VI (1)-(3), (8), (11), (13)-(14); and VII (1)-(2).

[2]*Supra*, pp. 7-10.

2. Owens's Determination to Withdraw from the Licensing Arrangement.

Prior to October 1, 1935, Owens was a manufacturer also interested in patent licensing. For some years before that date, however, it had been giving serious consideration to the fundamental change of policy involved in withdrawing entirely from patent licensing and becoming solely a manufacturer.[1] There were two principal reasons for the change:

> (a) the belief of the Owens executives, which over a period of years became a conviction, that the patent licensing problems were taking too much of their time, that Owens's future lay in the glassware manufacturing field and that it was the part of wisdom to concentrate both its executive and engineering talent solely in that field and particularly on Owens's peculiar problems;[2] and
>
> (b) the belief that the licensing arrangements invited attack under the anti-trust laws.

Owens recognized, from the outset of its relationships with Hartford, that the joint licensing arrangements might create an anti-trust problem.

The anti-trust laws—particularly in their relation to the patent laws—are not, even today, simple rules, easily understood. The lower Federal courts frequently have had difficulty in distinguishing the decisions of this Court. During the decade of the 20s the law respecting the interrelation of the anti-trust laws and the patent laws was even more

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[1]R. 6483-4.

[2]Ex. 777 (R. 1965, 13455-6); R. 1927, 1929, 1962-5, 6483-4.

uncertain than it is today. Many arrangements which competent counsel would today disapprove were then thought to be unquestionably lawful.

Because it was conscious of the existence of the problem, Owens sought the best legal advice it could obtain. The Record is replete with evidence of the earnest efforts of Owens's counsel to keep abreast of the developments of the law and to keep their client's conduct within the law. From time to time questions arose as to the extent to which certain of the arrangements made or proposed among the corporate defendants might arguably be regarded as creating possible anti-trust difficulties, and the arrangements were from time to time modified for the purpose of eliminating any possible violation of the law. Owens's counsel were constantly conferring with counsel for Hartford and the other present corporate defendants in the hope that the industry might be conducted without violation of the law and with confidence that as a result of their constant vigilance it was being so conducted.[1]

These conferences and discussions of the legal problems of their clients have been characterized by the District Court as evidencing a "consciousness of guilt."[2]

On the contrary, they demonstrate consciousness of a difficult legal problem and conscientious efforts to meet that problem.[3]

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[1]R. 3746-51.

[2]46 F. Supp. 541, 597; Opinion, p. 110.

[3]Far more appropriate to the facts of the present case than the condemnation by the District Judge's opinion would be the comment of this Court upon similar activity of counsel in *Maple Flooring Manufacturers Assn. et al.* v. *United States,* 268 U. S. 563, 577 (1925):

> "We think it might be urged, on the basis of this record, that the defendants, by their course of conduct, in-

Owens's 1935 agreements represent Owens's ultimate determination to *end* the problem.

3. The 1935 Agreements.

The 1935 agreements between Owens and Hartford and Owens and Hazel[1] *canceled all existing agreements and licenses* between the parties.[2]

Hartford received from Owens a non-exclusive license and licensing right under Owens's feeder and feeder-fed former patents acquired prior to January 3, 1945, without limitation of fields of use. This license was paid-up as to royalties, *i.e.*, free of current royalties.

For the rights which it gave Hartford, Owens received $2,500,000 payable in quarterly installments of $250,000 each. It also received non-exclusive licenses to make and use machines under both the feeder and former patents and the suction patents of Hartford acquired prior to January 3, 1945, in all fields, subject only to prior exclusive licenses granted by Hartford.[3] The license in the feeder and former

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stead of evidencing the purpose of persistent violators of law, had steadily indicated a purpose to keep within the boundaries of legality as rapidly as those boundaries were marked out by the decisions of courts interpreting the Sherman Act."

[1]Exs. 568 (R. 1379, 9109-13), 569 (R. 1379, 9113-24), 571 (R. 1379, 9125-8), 572 (R. 1379, 9128-41), 578 (R. 1386, 9187-205). These agreements are summarized in FF 421-5 (R. 7364-6).

[2]This resulted in the necessity for new lehr, stacker and conveyor licenses (Exs. 579 (R. 1387, 9206-13), 580 (R. 1387, 9213-32)), which are discussed in Appendix A.

[3]This exclusion of certain fields from Hartford's license to Owens was eliminated by Hartford by a letter of October 8, 1940 (FF 516 (R. 7379)) and by formal agreement on January 14, 1942. (FF 521 (R. 7380)). If the statement of the latter Finding that "shortly before the trial ended * * * Hartford and

field was on Hartford's standard royalty basis; that in the suction field was on a paid-up royalty basis.

Owens and Hazel renewed their previous cross-licenses under their respective suction patents, Hazel's license from Owens being non-exclusive (but excluding certain fields)[1] and Owens's license from Hazel being exclusive except as to Hazel and without limitation of fields.[2] Both licenses were paid-up as to royalties, *i.e.*, free of current royalties, Hazel having paid for such a license from Owens in 1909 and Owens having paid for such a license from Hazel in 1932.[3]

The 1935 agreements radically changed the antecedent Owens-Hartford relationships.

Owens entered into amendments to the 1935 agreements, eliminating all restrictions with respect to fields of ware" is intended to imply that there was ever any such limitation in Owens's licenses to Hartford, the implication is without foundation.

[1]The excluded fields (opened, however, to Hazel in January, 1942) were bottles and jars for containing milk, cream, beverages and prescriptions and bottles and jars of more than four gallons capacity. In connection with the cross-licenses mentioned in the text Owens and Hazel also executed other cross-licenses to take effect upon the happening of specified contingencies which have not happened.

[2]In January, 1942, Owens waived the exclusive character of its license from Hazel and waived the ware restrictions in its license to Hazel. (FF 522 (R. 7380)). This change, after the commencement of the present action, was due to a systematic effort on the part of Owens to go through every one of its agreements and, notwithstanding its sound belief in their validity, eliminate so far as within its own power all features not compatible with the present extreme views of the Department of Justice on patent problems. Compare, in this respect, the removal of questionable provisions in cross-licenses during the trial of the so-called *Cracking Case, Standard Oil Company (Indiana) et al.* v. *United States,* 283 U. S. 163, 181-2 (1931).

[3]Exs. O-5208 (R. 3756, 12328-67), O-5998 (R. 6376, 9769-71); R. 2560.

Owens ceased to have any interest, participation or voice in Hartford's licensing business or in any royalties collected by Hartford even in respect of Owens's own inventions.

Owens permitted Hartford to extend to its licensees rights under Owens's feeder and former patents to be used in competition with Owens and imposed no restrictions on the extension of those rights. Hartford's licensing rights under Owens's patents were, however, non-exclusive.

The option which Owens had previously had to take over Hartford's suction inventions was canceled. Owens took from Hartford merely a non-exclusive suction license.

Thus was Owens free to license the world, without limitation, with respect to all its inventions whether in the suction or in the gob feeder and former fields, and Hartford became, as against Owens, similarly free to license the world, without limitation, both with respect to all of Hartford's inventions in all fields and with respect to Owens's feeder and former inventions.

Owens's license under Hartford's feeder and former inventions, subject to Hartford's prior grants to its exclusive licensees, permitted Owens to use Hartford inventions in all the fields of glassware in which Owens was engaged and enabled it to compete with Hartford's other licensees in the manufacture of glassware of great variety. Under this license Owens pays Hartford's standard rates of royalty. The Record shows that those royalties for the years 1936 to 1939, inclusive, aggregated $2,743,794.[1] By early 1939 these royalties had exceeded the $2,500,000 payable by Hartford to Owens for Owens's grant of licensing rights under the Owens feeder and former patents, so

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[1]Ex. 782 (R. 1999, 7929, 7930J-K).

that since then Owens has been paying Hartford's full standard royalties with no offsetting item of any character.[1]

4. Absence, after 1935, of any Restraints by or upon Owens.

Upon no possible basis can the 1935 agreements be deemed illegal. They promoted competition. They created no restraints on competition. They effectively withdrew Owens from any violation of the anti-trust laws which may have existed in the antecedent relations between the parties.

It must be obvious that they were not in furtherance of or pursuant to any alleged prior conspiracy, for they eliminated not only whatever restraints may have been inherent in the earlier relationships, but also all cooperative action between Owens and either Hartford or Hazel.

Not only were the written 1935 agreements entirely legal, but there existed between Owens and the other parties absolutely no understandings or "gentlemen's agreements" of any kind outside those documents, let alone any calling for action at variance with the tenor of the formal agreements or supplementing them.

Nor was any conduct of Owens or any other Owens Defendant after September, 1935, whether pursuant to the 1935 agreements or otherwise, improper or in participation in or pursuant to any alleged conspiracy. There is no evidence in the Record which, fairly construed, gives any support to any contrary conclusion. It is particularly to be noted that there is no suggestion in the Record that since 1935 Owens has, either by itself or jointly with any of the

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[1]FF 435 (R. 7367); R. 6406.

other defendants, acquired the physical properties of any other manufacturer[1] or brought any patent infringement suit.[2] Since 1935 Owens has had no stock in any of the other defendants or in any other competing glassware or glassware machinery company.[3] It has concerned itself solely with its business as a glassware manufacturer and has expended large sums of money and all its energies in making itself an effective competitor of all other manufacturers in the fields of glassware in which it is engaged.[4]

Nevertheless, the District Court found that "the 1935 * * * agreements maintained Owens in a dominant competitive position;"[5] that they "strengthened the division of glassware fields between Owens and Corning;"[6] and that "after October, 1935, Owens continued its close relationship with" the other defendants and "continued its participation in the general conspiracy."[7] Analysis of the tenuous threads of evidence cited by the Findings of Fact, or referred to in the District Judge's opinion, as sustaining

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[1]The formal acquisition by Owens of the assets of Libbey Glass Manufacturing Company, a manufacturer of a line of glassware in which Owens was not theretofore engaged, was consummated December 31, 1935, but the acquisition had been arranged prior to October 1, 1935. (Ex. 581 (R. 1387, 9232-5)).

[2]The Department of Justice, in its brief below (p. 158), conceded that after "November 1935 * * * Owens ceased contributing to Hartford's litigation, patent office and servicing expenses * * *."

[3]Ex. 1595 (R. 3941, 8155, 8189); R. 2325.

[4]Immediately after the 1935 agreements Owens began a program to expand its manufacturing and research facilities, on which it spent in excess of $32,000,000. (R. 6349-51, 6409-10, 6484-6; Exs. 781 (R. 2002, 13458), O-5988 (R. 6352, 16060A)).

[5]FF 426 (R. 7366).

[6]FF 432 (R. 7366-7).

[7]FF 433 (R. 7367).

these conclusions will show how completely lacking in support they in fact are.

The circumstances under which the Findings of Fact were made by the District Judge themselves create deep suspicion as to the accuracy and validity of those Findings. Counsel for all the parties, at the request of the District Judge, filed with him proposed findings of fact on July 18, 1942, in advance of the filing of the District Judge's opinion.[1] No argument or discussion, formal or informal, was ever had with the District Judge with respect to such proposals. The opinion was filed August 26, 1942, and the next day substantially all the proposed findings submitted by the Department of Justice were filed as the Judge's Findings[2] and not a single finding submitted by any of the defendants was, either then or thereafter, filed or otherwise adopted by the District Judge.[3] No substantial change of substance, or even of form, was made in the Department's draft.[4]

The Owens Defendants are not asking this Court, in considering their agreements and conduct after October 1, 1935, to weigh a great mass of conflicting evidence contained in the thousands of pages of record. Nor are they asking this Court, as between two conflicting inferences which might reasonably be drawn from proven facts, to accept an inference in favor of the Owens Defendants

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[1]R. 7095-277.

[2]R. 6917-7095, 7277-420.

[3]Except to the extent that Findings proposed by the Department overlapped proposals of the defendants.

[4]Out of a total of 714 numbered Findings proposed by the Department, the District Judge struck out 59 relating to dismissed defendants, and also 18 covering 7 factual situations affecting Hartford, 4 covering 3 factual situations affecting Owens, 6 affecting the Container Association, and 2 affecting Ball.

and to overrule an inference taken by the District Court against them. The Owens Defendants contend that as a matter of law there is *no evidence* in the Record to sustain the District Court's findings above quoted or from which the inference could be drawn that after 1935 Owens's patents were in any way used to effect a restraint of trade or an attempt to monopolize or that Owens in any way participated in any such restraints or attempts.

The 1935 agreements, coupled with (1) absence of any evidence of Owens's participation in any restraints after 1935, and (2) the evidence of Owens's vigorous and independent competition after that date, amply sustain any burden of proving withdrawal from the alleged conspiracy[1] and entitle the Owens Defendants to dismissal of the complaint.

5. The Alleged Defects of the 1935 Agreements.

The Findings of Fact, after summarizing the 1935 agreements,[2] make five specific criticisms of those agreements.

(a) THE ALLEGED ALLOTMENT OF GOB FEED TO HARTFORD THROUGH (1) ITS LICENSE UNDER THE OWENS PATENTS AND (2) THE FAILURE OF THE LICENSE FROM HARTFORD TO OWENS TO INCLUDE A LICENSE TO LEASE AND SELL FEEDER AND FORMER MACHINES EMBODYING HARTFORD PATENTS.[3]

This criticism disregards the facts (1) that Hartford's patents in the gob field so controlled that field that Owens

[1] *Local 167, International Brotherhood of Teamsters, etc., et al.* v. *United States,* 291 U. S. 293 (1934); *cf. Hyde and Schneider* v. *United States,* 225 U. S. 347 (1912).

[2] FF 421-5 (R. 7364-6).

[3] FF 430 (R. 7366).

was unable to make an effective machine under its own patents, but (2) that Hartford also needed rights under Owens's patents for the most effective machinery.[1]

The 1935 agreements imposed no limitation whatsoever upon either Owens or Hartford in licensing under Owens's feeder and former patents. Owens's grant to Hartford was non-exclusive. This arrangement was clearly in furtherance of competition in the industry. Both Owens and Hartford were free to license the world under the Owens gob feeder and former patents in all fields.[2]

However, as the patents of both Owens and Hartford were necessary for the most efficient machine, glassware manufacturers were able to get from Hartford such machines embodying both groups of patents. The 1935 arrangement made it unnecessary for licensees, in order to get the best apparatus, to procure separate licenses from both Owens and Hartford and then have machinery manufactured as a special job under the two licenses.

What possible anti-trust law violation *by Owens* lies in its not obtaining from Hartford, in return, a license

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[1]See ftn. 2, p. 8.

[2]Owens's grant of non-exclusive rights to Hartford, including licensing rights, while reserving residual rights to itself, is parallel to the arrangement insisted upon by the Department of Justice at the time of the entry of the consent decree entered in *United States* v. *Radio Corporation of America et al.*, unreported, CCH: Federal Trade Regulation Service ¶7025 (D. Del., 1932) with reference to the patent pool in the radio industry. In that decree R. C. A. was given non-exclusive rights, including licensing rights, under the patents of American Telephone & Telegraph, General Electric and Westinghouse for the field of broadcast reception, each of the grantors retaining to itself full rights in the same field. The District Court in 1942 denied a motion of the Department of Justice to set aside the decree, *United States* v. *Radio Corporation of America et al.*, 46 F. Supp. 654 (1942),

under Hartford's patents to do more than make and use machines embodying Hartford's feeder and former patents? If Hartford did not want to waive entirely its patent right to exclude Owens from use of its inventions, that is, did not want to give Owens the right to lease and sell machines embodying Hartford patents, what was there that Owens could do about it?[1] Should it have restrained its own ability to use Hartford patents in glassware manufacturing by refusing to take any Hartford license?

It must also be borne in mind (1) that the 1935 agreements were the expression of Owens's desire to withdraw from the licensing business and to devote itself solely to glassware manufacturing, (2) that after its very early years Owens had ceased to be a vendor or lessor of machines and (3) that it never was a manufacturer of machines.[2] There was no legal or business reason why Owens should have insisted upon rights to engage in the very kind of business from which it was trying to withdraw.

In any event, how can the fact that *Hartford* did not grant to Owens a licensing right under Hartford's feeder and former patents be said to create a restraint *by Owens?*

The insincerity, not to say frivolousness, of the Department's attack upon the Hartford licenses to Owens as being

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appeal dismissed on motion of Department of Justice, 318 U. S. 796, 63 Sup. Ct. 851 (1943). In one significant respect, however, the Owens-Hartford arrangement differed from that in the *Radio* case. Owens's grant to Hartford was wholly unrestricted as to fields; the grants to R. C. A. in the *Radio* case were in defined fields.

[1]"The patentee may make and grant a license to another to make and use the patented articles, but withhold his right to sell them." *United States* v. *General Electric Company et al.*, 272 U. S. 476, 490 (1926).

[2]R. 6391-2.

merely licenses to make and use, and not licenses to vend, is evidenced by the fact that the Department itself has provided, in Paragraph 24 of the decree, for the compulsory issuance by the defendants of just such limited licenses. In other words, under the decree Owens would continue to have exactly the same kind of license from Hartford which the Department contends, and the District Court held, invalidated the 1935 agreements.

If, as the District Court found, "Owens in effect was eliminated as a possible competitor in the gob feed licensing business,"[1] the elimination was due solely to the fact that Hartford had patents which dominated the Owens machines and controlled the field.

(b) HARTFORD'S PAYMENT TO OWENS, IN CONSIDERATION OF LICENSING RIGHTS UNDER OWENS'S PATENTS, OF $2,500,000 IN QUARTERLY INSTALMENTS OF $250,000.[2]

This payment is criticized as giving Owens "an advantage over its competitors." But the anti-trust laws do not reduce all competitors to a dead level of reward irrespective of their inventive genius and business capacity. The criticism "ignores the privileges incident to ownership of patents."[3] Owens got this "advantage over its competitors" because it had maintained laboratories and actively engaged in research which had produced valuable patents. Would the Department of Justice contend that Owens should have given to Hartford licensing rights under the Owens patents without the payment of any consideration?

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[1]FF 430 (R. 7366).

[2]FF 429 (R. 7366).

[3]*Standard Oil Company (Indiana) et al.* v. *United States*, 283 U. S. 163, 172 (1931).

Or would it contend that Owens should not have granted to Hartford licensing rights under the Owens patents, so that glassware manufacturers would be unable to get all the conflicting and complementary patent rights from a single licensor and would be compelled either to get licenses from, and pay royalties to, both patent owners or to suffer infringement litigation from one or the other?

Owens was entitled to receive, and Hartford was equally entitled to pay, as compensation for non-exclusive licensing rights under Owens's patents whatever royalty, lump, paid-up or current, their equal and arms-length bargaining power fixed as the worth of those rights.[1] The non-exclusive license created no restraint; it waived restraints inherent in Owens's patent rights. The determination of the appropriate dollar value was a problem solely for the parties, unaffected by the anti-trust laws. Similarly, that the agreed value was paid in ten equal quarterly instalments is unaffected by those laws. That fact could have no possible effect upon competition in the industry.

(c) Owens's "Inventions License" and "Most Favored Nation Clause."

It is complained that "Owens continued to enjoy an inventions license, accorded to no other licensee except Hazel-Atlas, and a 'most favored nation clause' accorded

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[1]In *United States* v. *General Electric Company et al.*, 272 U. S. 476, 489 (1926), this Court said: "* * * the patentee may grant a license * * * for any royalty or upon any condition the performance of which is reasonably within the reward which the patentee by the grant of the patent is entitled to secure." And in *Standard Oil Company (Indiana) et al.* v. *United States*, 283 U. S. 163, 179 (1931), it also said: "By virtue of their patents they had individually the right to determine who should use their respective processes or inventions and what the royalties for such use should be."

to no other licensee except Hazel-Atlas, Capstan and Ball Brothers."[1]

Just what is the vice in the fact that Owens's license from Hartford was an "invertions license," *i.e.*, a license to make and use machines under all inventions of Hartford prior to January 3, 1945, as contrasted with a license to use specific machines? Would a narrower license from Hartford to Owens have removed restraints on Owens?[2] Was Owens under some duty to see that every other licensee from Hartford got at least as good a license as Owens got? There is not the slightest suggestion that Hartford had any understanding with Owens that no other licensee would have an inventions license.

And similarly, what possible vice is there in Owens's "most favored nation clause"?[3] Such clauses are common practice, and this very Finding of Fact evidences that there were at least three other such clauses outstanding in Hartford licenses, one to Capstan, an independent company not charged with having participated in this alleged conspiracy. The clause necessarily implied that others might receive as favorable licenses as that to Owens and the fact is that Owens has paid exactly the same royalties as other licensees.[4]

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[1]FF 427 (R. 7366). In fact Corning also had an "inventions license." (FF 212 (R. 7323-4)).

[2]This complaint of the Department of Justice that Owens's license from Hartford was too broad as an "inventions license" is of course wholly inconsistent with the Department's complaint, above discussed, that, being a license to make and use, but not to vend, it was too narrow.

[3]A clause providing for the extension to Owens of as "favorable terms or conditions" as shall be extended by Hartford to others "under similar circumstances."

[4]R. 6406. Owens sliding-scale royalty on milks, based on quantity, was modified January 1, 1936, to a constant unit royalty irrespective of quantity. (Ex. 570 (R. 1379, 9124-5)).

(d) THE ALLEGED ALLOTMENT OF SUCTION TO OWENS THROUGH OWENS'S EXCLUSIVE SUCTION LICENSE FROM HAZEL AND ITS NON-EXCLUSIVE SUCTION LICENSE FROM HARTFORD.[1]

The Department of Justice criticizes the 1935 suction licenses as continuing "the allotment of * * * suction to Owens" and as strengthening "Owens' domination of the suction field."

This criticism of the 1935 agreements, as well as the related charge, discussed below, that Owens "refused" to grant suction licenses to others,[2] must be considered in the light of the practical facts as to (1) the patent situation in the suction field, and (2) the abandonment by all glassware manufacturers, others than Owens, of suction machines in favor of feeder-former machines. These facts are of particular importance before this Court, because the District Court disregarded them.

Since 1921 Owens has had no basic patent protection on suction machines.[3] In other words, suction apparatus has been in the public domain for more than twenty years.

It is true that not only Owens, but other inventors, have had some unimportant improvement patents relating to specific types or structures used in connection with suction machines. It is wholly untrue, however, and without the slightest support from any evidence in the Record, that, as the District Judge stated in his opinion, "it is impossible for anyone to obtain a modern suction machine because of the improvement patents that Owens has taken out or pur-

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[1]FF 430-1 (R. 7366).
[2]See pp. 44-9, *infra*.
[3]R. 6656-63.

chased."[1] The existing patents on suction improvements held by Owens could easily have been avoided by any glassware manufacturer by using other specific mechanisms which would have given equivalent results at comparable cost.[2] Indeed, as hereinafter pointed out in detail,[3] 86 out of 98 suction machines used by Owens itself today are without patent protection. Conclusive evidence of the ability of any manufacturer to use effective suction machinery free of any patent restraints, either by Owens or by anyone else, is the fact that after 1933 Ball continued some use of suction apparatus until 1940, notwithstanding the expiration of its license, but paid no royalty to anyone on the apparatus so used.[4]

Yet, notwithstanding Owens's success in the use of suction, and notwithstanding that for all practical purposes

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[1]46 F. Supp. 541, 573; Opinion, p. 59. The District Judge sought to support this statement in 1942 by a February 1930 memorandum of a Hartford officer: "The Owens basic patents expired several years ago. Nobody, however, dare use the present type of Owens machine because of improvements covered by minor patents." (46 F. Supp. 541, 573; Opinion, p. 59). Even if that Hartford statement had been true in 1930, which is doubtful, it was entirely untrue at the time of the trial. All patents (including improvement patents) on all but 13 of Owens's 98 machines had expired as early as 1933 (see footnote 2, p. 75, *infra*). The District Judge also sought to give support to his conclusion by quoting a statement from the Owens brief below that Owens had protected itself "by its securing *immunity from other companies*, so that it would not be disturbed in the enjoyment of its improved suction machines." (Italics ours). (46 F. Supp. 541, 573; Opinion, p. 60). To say that Owens might infringe patents of others in using its suction machines is entirely different from saying that others would infringe Owens's patents in duplicating the Owens machine.

[2]R. 4763-4, 6656-63.

[3]*Infra*, p. 75.

[4]Ex. 782 (R. 1999, 7930 G-H); R. 3028-30, 3033, 3073, 6561.

suction machines have long been in the public domain, no glassware manufacturer other than Owens has been substantially interested in that field for at least a decade. Other manufacturers have preferred gob feed.

Hazel, which was first licensed for suction in 1909, ceased using it prior to 1930.[1] Thatcher, which was originally licensed for suction in 1903, substantially abandoned use of suction machines after 1926, even though it continued to pay royalties under its license until 1930.[2] Ball, the last company, except for Owens, to continue using suction machines, did not renew its suction license when it expired in 1933 and discontinued paying royalties[3] because Owens's controlling patents on the machines Ball was then using had expired. In 1940, following a long period of progressive disuse of the suction machines, Ball entirely discontinued its use of that type machine.[4] The only other Owens licensee which may have used suction machines after 1926 was H. J. Heinz Co., the well-known food manufacturer, which discontinued payment of royalties in 1931.[5]

Whatever "allotment" of the suction field has been made to Owens has been by the voluntary action of other glassware manufacturers in abandoning that field, and not by any agreement, express or implied, or by any patent monopoly of Owens, or by any restraining act by Owens.[6]

Suction apparatus requires long runs and large quantity production for satisfactory operation and larger ancillary apparatus such as furnaces and lehrs. It is essentially

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[1]R. 2335.
[2]Exs. 1241 (R. 3082, 13821), O-5211 (R. 3756, 9591-607).
[3]FF 364 (R. 7354).
[4]R. 3028, 6603-5.
[5]Ex. 782 (R. 1999, 7930 G); R. 1802, 1804, 6517-8.
[6]R. 2560-1, 6562.

mass production apparatus. It also requires a substantially higher degree of skill, and a quite different type of skill, in operation than feeder-former type apparatus. Feeder-former machines are more economical for the production in one batch of smaller quantities, whether in the case of smaller manufacturers or in the case of larger manufacturers' output of small orders of special ware. Feeder-former machines are also better adapted to the manufacture of certain types of ware, particularly wide mouth ware and milk bottles. These factors undoubtedly account for the preference for feeder-former machines on the part of glassware manufacturers other than Owens.[1]

In the light of these practical facts, the charge of an "allotment" of the suction field to Owens as a result of the Hazel and Hartford suction licenses to Owens in the 1935 agreements completely dissolves, and the criticism of those agreements as strengthening "Owens' domination of the suction field" becomes frivolous.

No other glassware manufacturer was at the time interested in suction rights. With the exception of a single O'Neill machine purchased by Knox Glass Bottle Company in 1933,[2] only one other glassware manufacturer (Ball) was making any use of suction machines in 1935.[3]

Hazel's grant of an exclusive suction license to Owens in 1935 was an extension of a grant originally made in 1909. From its outset it passed no important suction rights to Owens, for Hazel has never had a suction invention of any importance.

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[1]R. 4589-95, 6562, 6571.

[2]R. 1558. As Hartford claimed that this machine infringed some of its patents, Knox took a suction license from Hartford in 1936. (Ex. 266 (R. 1077, 9001-5)).

[3]R. 1802, 2335.

Hazel had not been using suction machines for at least five years prior to 1935, notwithstanding its royalty-free license in that field.[1] Hence, the fact that Owens's 1935 license to Hazel was not unlimited as to fields (also referred to by the District Court)[2] was also without practical significance.

From the standpoint of the facts as they existed at the time of the decree, the 1935 exclusive, but unimportant, license from Hazel to Owens had been made non-exclusive, and the non-exclusive license from Owens to Hazel, notwithstanding that it had long been unused, had been made unrestricted.[3]

Nor is there any greater substance in the criticism of the 1935 Hartford license to Owens in the suction field. That license to make and use was paid-up as to royalties, non-exclusive and unlimited as to fields except as to those fields in which Hartford had previously granted exclusive licenses to others, principally Corning. It did not include a license to sell machinery embodying Hartford's patents. Hartford retained full rights of manufacture, use, sale and licensing under its own patents in the suction field.[4] There is not the slightest suggestion in the Record that, since 1935, there has been any agreement or understanding between Hartford and Owens that Hartford would not exercise those rights. Both Owens and Hartford are free, as against each other, to license the world in all fields under

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[1]R. 2335.
[2]FF 425 (R. 7365-6).
[3]FF 522 (R. 7380).
[4]This fact itself belies the District Judge's charge (46 F. Supp. 541, 550-1, 572, 618; Opinion, pp. 13, 57, 153) that Owens had accumulated to itself all suction patent rights in the United States.

their respective suction patents. And it is significant that, since 1935, Hartford in fact has twice licensed suction to glassware manufacturers other than Owens.[1]

But, again, Hartford's suction license in fact passed nothing of substance to Owens. While in 1935 Hartford had numerous improvement patents, they, like the Owens suction patents, controlled nothing of vital importance. That Owens was not required to pay current royalties for use of these Hartford suction inventions was a factor in determining the price to be paid by Hartford for the full rights which it obtained under the Owens gob feeder and former patents.[2] That is, the Hartford suction license to Owens was a fully paid-up license.

Apart from all these considerations how was competition in any way restrained by Owens taking from Hartford a non-exclusive license to make and use under whatever inventions Hartford had in the suction field? Would competition have been enhanced had Owens (the only manufacturer then using suction machines)[3] not been licensed to use the Hartford inventions?

Surely it cannot be the contention of the Department of Justice that Owens, as the only substantial user of the suction method, had no right to protect, so far as possible, its own machines in that field, which it had pioneered and had almost wholly developed. Surely the public has no interest in the continued existence of the kind of nuisance litigation to which Owens could have been subjected by

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[1]Licenses to Knox in 1936 (Ex. 266 (R. 1077, 9001-5)) and to American Thermos Bottle Company in 1937. (R. 4481). Neither license developed into any commercial importance.

[2]R. 1930-1.

[3]Except, perhaps, for an inconsequential use by Ball and Knox.

denying it any right in minor improvement patents which either Hartford or Hazel might develop in the suction field. Owens's perfection to the uttermost of its suction machines only made it the more effective competitor of all the other glassware manufacturers who preferred and used gob feeders and formers.

(e) THE EXCLUSION OF "CORNING'S FIELD" FROM HARTFORD'S LICENSES TO OWENS.[1]

The Department of Justice complains of the exclusion, in Hartford's 1935 licenses to Owens, of the right to use Hartford's patents in the manufacture of certain kinds of ware so long as exclusive licenses previously granted by Hartford to Corning were outstanding.

Hartford was legally without power to grant to Owens the excluded rights. Many years before, independently of Owens, it had given to Corning and others exclusive rights in the excluded fields.[2]

The so-called "Corning field" embraced types of glassware (such as heat-resistant glass, electric lamp bulbs, tubing, lenses, etc.) unlike those manufactured by Owens, requiring different manufacturing techniques and involving different markets.[3] However, Owens did not agree not to manufacture the ware for which it got no Hartford license, nor was it limited in any respect in the use of its

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[1]FF 432 (R. 7366-7).

[2]As noted above those restrictions were waived on October 8, 1940, *i.e.*, after Hartford procured from Corning the right to do so, by Corning's waiving its earlier acquired exclusive right (FF 509 (R. 7378), 516 (7379)), although a formal amendment of the 1935 agreements was not executed until January, 1942. (FF 521 (R. 7380)).

[3]R. 5516-7, 5539, 5581, 5586-9.

own patents or otherwise, except only as to its use of Hartford's patents.

What possible basis is there for charging *Owens* with a violation of the anti-trust laws because it did not get a greater license from Hartford?

Again, should Owens have disabled itself from using Hartford patents in the fields in which Owens operated, by refusing to accept any Hartford license, merely because Hartford was unwilling, or unable, to waive its right to exclude Owens from use of Hartford's patents in a field in which Owens had never had any interest?

In any event, before the entry of the decree, Hartford, with Corning's consent, had broadened Owens's license to include the so-called "Corning field."

(f) CONCLUSION.

Just how, indeed, could the 1935 agreements have been varied *by Owens,* in the light of the practical facts then existing, better to accomplish Owens's objective to confine itself to glassware manufacture and to obviate any possible anti-trust risk?

The reciprocal feeder-former licenses, both being non-exclusive, gave neither party the slightest control over action of the other in respect of the other's patents. In legal effect the licenses were mere grants of immunity, mere reciprocal covenants not to sue for infringement of each other's patents.

As to Owens's own feeder-former patents, the only alternative to the unlimited, but non-exclusive, license granted to Hartford would have been the withholding of any license to Hartford. Hartford's licensees would then have been *pro tanto* disabled from competing with Owens or would

have been compelled to secure independent licenses from Owens. Obviously the promotion of competition did not lie in that direction.[1]

As to the non-exclusive feeder-former rights which Owens got from Hartford at Hartford's standard royalties, Owens could, of course, have refused to take them at all rather than take them solely for its own use or subject to Hartford's outstanding exclusive grants to others. The bare statement of that proposition also constitutes its answer.

As to suction rights, Owens could have refused to take any from Hartford. How would that have promoted competition as compared with the non-exclusive rights which were granted? Certainly no such misguided gesture was necessary to make clear Owens's withdrawal from the alieged antecedent conspiracy.

The original exclusive character of the suction license from Hazel to Owens and the original limited character of the suction license from Owens to Hazel, both dating from 1909, had no practical significance even in 1935. Hazel had in 1929 ceased to manufacture under its license from Owens

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[1]Even if it be assumed that after October 1, 1935, Hartford violated the anti-trust laws in the licenses which it granted, including those under Owens's inventions, that violation was neither a violation on the part of Owens nor a continued participation by Owens in any antecedent violation. The taking of a license from one violating the anti-trust laws does not make the licensee a party to the violation (*Gasoline Products Co., Inc.*, v. *Champlin Refining Co.*, 46 F. (2d) 511, 514 (D. Me., S. D., 1931). Nor does the grant of a license to a violator of the anti-trust laws constitute the grantor a co-violator (*Virtue* v. *Creamery Package Manufacturing Company and Owatonna Company*, 227 U. S. 8, 33 (1913). This is particularly true when, as here, the grant is one promoting rather than restraining trade (*Kentucky Natural Gas Corporation* v. *Indiana Gas & Chemical Corporation*, 118 F. (2d) 831 (C. C. A. 7th, 1941)).

and it never had any important suction inventions. However, at the time of the trial its license from Owens had become unrestricted, and its license to Owens, non-exclusive.

Assume, however, *arguendo,* that the 1935 agreements, when considered in the light of subsequent conduct of Owens, failed to demonstrate with sufficient certainty the withdrawal of Owens from the alleged prior conspiracy, or that they did not so dissipate the effects of that prior conspiracy, as to prevent the entry of a decree of some sort against the Owens Defendants. Nevertheless, whether successful or not, the clear intent of Owens in the 1935 agreements was to withdraw from any suggestion of participation in, or continuance of, any prior conspiracy. There is, therefore, no justification for holding those agreements themselves to have been illegal.

6. The Alleged "Close Relationship" of Owens with Other Defendants After 1935 and the Alleged Continuation by Owens of "its Participation in the General Conspiracy."[1]

The Department of Justice sought to add to its five frivolous criticisms of the 1935 agreements a mass of trivial, disconnected charges and innuendoes respecting Owens's post-1935 conduct in the hope that, by the very consumption of space in the telling, they would induce findings that, notwithstanding the 1935 agreements, Owens thereafter continued "in close relationship with" all the other defendants and also "continued its participation in the general conspiracy." The District Judge drew the desired inference by accepting, substantially verbatim and without argument or discussion, the Findings of Fact proposed by the Depart-

[1]FF 433 (R. 7367).

ment and simultaneously rejecting all the proposals of all the defendants.

The Owens Defendants are therefore under the necessity of analyzing all the bits of evidence cited below in support of the Findings as to Owens's post-1935 conduct, not because of any lack of understanding that "a conspiracy is not to be judged by dismembering it and viewing its separate parts,"[1] but to demonstrate to this Court (1) that those Findings are without foundation and (2) that, whether all the charges and innuendoes of the Department be viewed in their "separate parts" or be looked at "as a whole," they fail to obscure the fact that after 1935 Owens had withdrawn from, and was not a participant in, any of the antecedent relationships, whether or not they constituted a conspiracy in violation of the Sherman Act.

(a) OWENS'S ALLEGED "CLOSE RELATIONSHIP" WITH HARTFORD AFTER 1935.

(i) *Owens's Alleged Refusal to Grant Licenses Under Either its Suction or its Feeder and Former Patents, or to Lease or Sell Glass Machinery to Others.*

The District Court in its opinion charges that Owens has refused to license its suction inventions.[2] The apparently intended implication, is that the alleged refusal has been pursuant to an understanding between Owens and Hartford that suction would not be licensed by Owens in competition with Hartford's gob feeding.[3]

There is not a scintilla of evidence in the Record that Owens, subsequent even to 1924, let alone after 1935, was

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[1] *United States* v. *Patten*, 226 U. S. 525, 544 (1913).
[2] 46 F. Supp. 541, 572-3; Opinion, p. 59.
[3] 46 F. Supp. 541, 571; Opinion, p. 57.

asked by anyone to license its suction inventions, let alone any evidence of a refusal so to do.

The briefs of the Department of Justice below were not characterized by understatement of charges leveled at the Owens Defendants. Yet neither in those briefs nor in the Findings of Fact did the Department of Justice charge, as did the District Judge in his opinion, "refusal" by Owens to license its inventions. All that the briefs say is that Owens developed "the policy of using its own suction inventions and abandoning the licensing thereof, until there remain no outstanding licenses on suction with the exception of its license to Hazel-Atlas."[1] All that the Findings of Fact say is that "since 1918 Owens has not granted a license to use its suction inventions to anyone not theretofore granted a license by Owens. Today, Hazel-Atlas is the only manufacturer of glassware licensed to use the patented suction inventions of Owens."[2]

The fact is that, whatever Owens's success in the use of suction has been, other manufacturers have preferred gob feed.[3] It has already been pointed out[4] that all of Owens's licensees in the suction field, including Hazel, have abandoned suction apparatus and that today no manufacturer other than Owens is using such apparatus, notwithstanding that for all practical purposes it has long been in the public domain.[5]

The evidence is uncontradicted that even the defendants who are supposed to have conspired with Owens

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[1]U. S. Reply Brief below, p. 188.
[2]FF 477 (R. 7373).
[3]R. 2560-1, 6568, 6603-5.
[4]*Supra*, p. 36.
[5]R. 6656-63. The only possible exception may be the use by Knox Glass Bottle Company of a machine purchased prior to 1933. (R. 1558).

ceased to find any use for their licenses for suction machines long before 1935.

As to gob feeders and formers, it is charged that: "Since April 9, 1924, Owens has granted no licenses on its feeder and feeder-fed forming machine patents to anyone other than Hartford."[1]

The Record contains no evidence that anyone ever requested a feeder or former license from Owens.[2] The reason is patent. Hartford and Owens were constantly in conflict in their claims relating to their respective feeder and former patents, each claiming that its patents dominated the machines of the other. A glassware manufacturer could not get any such machinery without use of Hartford's patents and could not get the most efficient machines without use of both sets of patents. While, under the 1935 agreements Owens is unrestricted in its right to license under its own feeder and former patents, Owens has not been in the licensing or leasing business since 1918. Hartford, however, has rights under *both* sets of patents, and is in the business of licensing and leasing machines. Hence, Hartford would naturally be the one to whom application for such a license would be made.[3]

The further charge is made that "for many years past Owens has not made, leased or sold * * * glass making machinery of any kind for use by others than itself and its subsidiaries."[4]

The fact is as charged. But of what legal significance is that fact? Owens went out of the business of leasing

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[1]FF 477 (R. 7373).
[2]R. 6517.
[3]R. 1932-3, 6520.
[4]FF 477 (R. 7373).

and licensing glassware machinery long before its 1924 agreement with Hartford. The last time it leased, licensed or otherwise furnished any machine to anyone was in 1918.[1] Owens had earlier than that turned its attention from licensing to glassware making and, as the Department of Justice stated in its Reply Brief below,[2] had developed "the policy of using its own suction inventions."

Indeed, the Record shows that Owens, at the time when it was engaged in the licensing business, did not manufacture glassware machinery either for its own use or for the use of its licensees, but had such machinery manufactured by independent machinery manufacturers. Only after the acquisition of the plant and equipment of Illinois in 1929, particularly of its machine shop at Alton, did Owens have its own facilities for the manufacture of replacement parts for its own glassware machinery. It was not until after the 1935 agreements that Owens developed its machine shops sufficiently to build a substantial part of its own machine requirements.[3]

The two Exhibits cited by Finding of Fact 477[4] to sustain the Finding that Owens "has declined to lease or sell * * * glass making machinery * * * for use by others" are replies to two inquiries in which Owens merely stated the fact, above pointed out, that it did not manufacture glass making machinery for use outside its own plants. Both

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[1]Exs. O-6020 (R. 6398, 9799-811), O-6022 (R. 6399, 9813-26). The Ball license, originally issued in 1909, was renewed in 1924. (Exs. 195 (R. 996, 8869-70), O-5210 (R. 3756, 9579-91)).

[2]P. 188.

[3]R. 6391-2.

[4]Exs. 874-5 (R. 2246, 13533).

letters were written in 1934, approximately a year before the 1935 agreements.[1]

Assuming, however, that the Finding last quoted were true, what of it?

It has long been established that the anti-trust laws do not so override the basic philosophy of the patent laws as to *require* an inventor either to license, or to manufacture and sell, to others a machine which he invents, rather than use it himself in his own manufacturing operations to the exclusion of others.[2] As will be seen later in the discussion of the provisions of the decree for compulsory licensing, it is the philosophy of the Constitution that the "Progress of Science and useful Arts" will be promoted by "securing for limited Times to * * * Inventors the exclusive Right to their * * * Discoveries." Despite the persistent efforts of the Department of Justice during the last several years to obtain amendment of the patent laws to provide for compulsory licensing, Congress has adhered to the philosophy of those laws, unbroken for 150 years, that the basic right of a patentee is to use his own invention to the exclusion of others. And in presenting the present decree to the District Court the Department of Justice expressly disavowed any right to compel a patentee user of

[1]One of the inquiries was a post card from a "Mrs. Len Smith, Apt. #325, Oxford Avenue, Los Angeles, California," asking whether Owens knew of any second hand glass bottle machine for making pressed tumblers (Ex. 876 (R. 2247, 13534)), and the other was from a construction company asking for "general information and data regarding the cost of machinery and equipment for a small bottle manufacturing plant." (Ex. 877 (R. 2247, 13534)).

[2]*Continental Paper Bag Company* v. *Eastern Paper Bag Company*, 210 U. S. 405 (1908); *Bement* v. *National Harrow Company*, 186 U. S. 70, 90 (1902); *American Lecithin Co.* v. *Warfield Co.*, 105 F. (2d) 207, 212 (C. C. A. 7th, 1939), cert. denied, 308 U. S. 609 (1939).

glass making machinery to enter the business of selling or leasing such machinery.[1]

It is submitted, therefore, that neither the failure of Owens to continue its machinery leasing business after 1918, nor its failure to reenter that business after 1935, can be taken as evidence either of any "close relationship" with Hartford or of any agreement not to compete with Hartford, whether by licensing suction or by licensing gob.

The alleged reciprocal understanding between Owens and Hartford after 1935 not to compete with each other in their alleged respectively "allotted" fields of suction and gob is belied by the undisputed evidence that after 1935 Hartford granted two suction licenses to manufacturers other than Owens.[2]

(ii) *Owens's Alleged "Veto Power" Over Hartford Licenses.*

The District Court found that there was a tacit observance of a veto power on the part of Owens over Hartford's licensing, even after the 1935 agreements.[3]

The only evidence to support any such inference was that with respect to (1) the alleged refusal by Hartford to license Day of Detroit in 1936 and (2) the alleged refusal by Hartford to license two applicants in Texas in 1937.[4]

(1) The Day Incident.

The Finding as to the Day incident in 1936 was based on the testimony of Day and that of Schwenzfier, a former Hartford employee.

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[1]R. 6902. Cf. Paragraph 23 of the decree.
[2]Ex. 266 (R. 1077, 9001-5); R. 4481.
[3]FF 122 (R. 7302-3).
[4]FF 441-2 (R. 7368).

The Day proposal to Hartford was an inchoate promotion scheme, with respect to which Day and his associates never furnished Hartford final information requested as to their financial responsibility.[1]

Day testified that Hartford representatives suggested that he purchase a plant which was not operating, in order to get assignment of that plant's license and not conflict with Owens. He also testified that he was told Hartford did not want to issue a license directly and incur the enmity of Levis, President of Owens.[2]

Schwenzfier testified that Eldred, of Hartford, told him Hartford and Owens had an arrangement that if anyone applied to either for a license the matter was to be referred to the other, and that Eldred had concluded that evidently Owens did not approve the license to Day.[3]

Eldred denied that he had ever made the alleged statement, that the Day matter had ever been discussed with Owens, and that there existed any such arrangement between Owens and Hartford.[4]

The latter denial was also made by Levis[5] and McNerney[6] of Owens. The latter testified that following the 1935 agreements Owens had disassociated itself completely from the Hartford licensing system and that neither Hartford nor Owens had consulted the other with respect to the granting of any license.

Day admitted that he was never refused a license.[7]

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[1]R. 1643-52.
[2]R. 1636-9. Brown of Hartford denied this. (R. 6091).
[3]R. 2262.
[4]R. 5787-8.
[5]R. 2253-4, 2258.
[6]R. 6406-7.
[7]Ex. 502 (R. 1329, 13114 A-B); R. 1652.

From all this testimony the only fair inference is that there was no connection whatsoever between Owens and the Day-Hartford incident.

(2) The Texas Incident.

The District Court found that in 1937 F. G. Smith, of Hartford, consulted Levis, of Owens, about two applicants for licenses in Texas, who were refused by Hartford. The evidence cited for this Finding was the testimony of Naylor, of Owens, and Hatch, of Hartford, as to a letter from the former to the latter dated July 15, 1937, with respect to Owens's plan to build a factory in Texas,[1] and Exhibit H-5750.[2]

In that letter, after referring to a telephone conversation with Hatch, Naylor said that he found

> "that Mr. Levis has discussed the situation" (*i.e.*, the proposed Owens factory) "with Mr. Goodwin Smith, and that we are contemplating an expansion in the territory mentioned, but I do not believe any decision has been reached as to when this matter will crystallize.
>
> "I believe Mr. Goodwin Smith has been given the entire picture."

Naylor testified that his recollection was that Hatch telephoned someone at Owens, who was out of town; that Naylor was asked to take the call; that Hatch inquired whether Owens was contemplating a plant in Texas, stating he had heard such a rumor; that Naylor, not knowing about any such plan, inquired of "someone" and was told that

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[1]Ex. 505 (R. 1332, 13115).

[2]This Exhibit is a list of Hartford licensees, which does not show any license to a manufacturer in Texas since August 2, 1935. (R. 5733, 15436-50).

Smith had spoken to Levis, who had explained to Smith the basis for the rumor.[1] Naylor further testified that Hatch had not told him of any Texas application for a license and that he had no recollection of having spoken to anyone about a license for Texas or elsewhere.[2]

Hatch testified that he had no recollection either about the letter or about the telephone conversation. When asked whether there were any applicants for licenses in Texas about the time of the letter, Hatch stated he could recall that there had been at least two applicants from Texas at some time but that he did not remember when, and that he had no recollection of either writing or talking to Naylor about either of them.[3]

Neither Smith[4] nor Levis[5] had any recollection either of the letter incident or of any Texas application. Levis testified positively that after the 1935 agreements there was no understanding of any kind with Hartford that requests for Harttord licenses should be submitted to anyone at Owens and that no one at Owens had, after that date, attempted to persuade Hartford not to issue a license.[6]

A fair reading of all this rambling evidence discloses absence of any evidence even that there were any Texas applicants for Hartford licenses at the time of Hartford's alleged refusal,[7] let alone that any such refusal was the result of any understanding with Owens.

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[1]R. 3230. [2]R. 3231.
[3]R. 3152-3. [4]R. 1332-4.
[5]R. 2241-2. [6]R. 2253-4.

[7]The Record does contain some evidence as to a Hartford refusal in 1935 to renew a temporary license in Texas as to milk which had been granted in settlement of infringement litigation (Ex. 738 (R. 1838, 13433); R. 1855-9), but there is no suggestion that Owens had anything to do with that refusal.

(iii) *The Alleged Cooperation of Owens with Hartford to Eliminate Rawleigh's Competition.*

The District Court found that in March, 1936, Owens, after consultation with Hartford, bought the Rawleigh Glass Company's machinery, feeders, formers and lehrs, to take them off the market.[1]

This finding is contrary to the undisputed evidence in so far as it finds that the machines were bought to take them off the market. The evidence is uncontradicted that (1) Rawleigh was a subsidiary of a proprietary medicine company, and had earlier made bottles for its parent, (2) Rawleigh had ceased manufacturing glassware several years before the Owens purchase, (3) the purchase was made in connection with a contract by Owens to supply Rawleigh with glassware and (4) the equipment was bought for use in Owens's plants.[2]

The finding is misleading in so far as it implies that Owens's consultation with Hartford was improper. The undisputed evidence shows that the "consultation" was merely to inquire whether Hartford would make any claim for damages in respect of the machinery, which was of a type which had been the subject of a successful patent infringement suit by Hartford.[2]

(iv) *Owens's Retention of its Non-Exclusive License under the Tucker, Reeves and Beatty Patents.*

In 1925, in connection with the joint acquisition by Owens and Hartford of the Tucker, Reeves and Beatty

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[1]FF 174 (R. 7314-5), 439 (R. 7367-8).

[2]FF 174 (R. 7314-5); Exs. 290 (R. 2241, 12831-2), 291 (R. 2241, 12832-3), 1688 (R. 3944, 9504-5); R. 1131.

feeder patents and applications,[1] Owens was first granted by Tucker, Reeves and Beatty a non-exclusive license under all their feeder inventions made prior to August 1, 1926,[2] Hartford then acquiring all other rights under those inventions.[3] The Tucker, Reeves and Beatty applications were in interference with those of Hartford. In February, 1926, Hartford granted to Owens a license, including a licensing right, under the patents of Hartford issuing on the applications in interference with those of Tucker, Reeves and Beatty, but Owens was not to use *this specific Hartford license* so long as its general license from Hartford was in effect.[4]

The effect of the 1935 agreements was to cancel this 1926 agreement between Owens and Hartford but to leave outstanding Owens's non-exclusive license from Tucker, Reeves and Beatty.

The Department of Justice complains that the 1935 agreements failed to cancel Owens's 1925 license under the Tucker, Reeves and Beatty patents, and that the resultant situation left a "club hanging over" both Hartford and Owens in respect of apparatus as to which there were conflicting claims under Hartford patents and under Tucker, Reeves and Beatty patents.[5]

The Department of Justice and the Owens Defendants are in disagreement as to the validity of the 1925 transaction by which Owens and Hartford obtained their respective rights in the Tucker, Reeves and Beatty patents. It is not intended here to debate that issue.

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[1]This is one of the joint acquisitions found to have violated the Sherman Act.

[2]Ex. 90 (R. 865, 8727-8).

[3]FF 144(b) (R. 7307).

[4]Tr. 2389-90; Ex. 761 (R. 1939, 2683, 13445-6).

[5]FF 428 (R. 7366), 434 (R. 7367).

Assuming that the Department is right and that the original acquisition was part of an illegal conspiracy, the continuation, after 1935, of Owens's *non-exclusive* rights in the Tucker, Reeves and Beatty inventions was no contribution to, or participation in, any restraint of trade or attempt to monopolize. If it was the fact, as contended by the Department, that those inventions made it "quite possible for Owens to design a successful feeder"[1] outside the Hartford inventions licensed to Owens by Hartford, that fact only added to Owens's independence of Hartford. Certainly it would not have made more clear Owens's 1935 withdrawal from its antecedent relationships with Hartford had Owens then surrendered its Tucker, Reeves and Beatty license and left Hartford as the exclusive owner of those rights.

The "club" which continued to "hang over" the parties as a result of Owens's retention of its non-exclusive rights lay in the possible doubt whether Owens could, under the Tucker, Reeves and Beatty inventions and without conflicting with various Hartford patents, build a workable feeder for making ware, *e.g.*, insulators, which it could not make under its Hartford license. It is doubtful that Owens and Hartford could have done anything by the 1935 agreements to have cleared up that conflict. Had they tried, the Department would doubtless now be characterizing any agreement as to the scope of the two sets of inventions as a further step in the conspiracy.

That Owens has asserted its complete independence of Hartford with respect to the Tucker, Reeves and Beatty patents was evidenced by correspondence in 1938 between Hartford and Corning and between Hartford and its coun-

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[1]FF 428 (R. 7366).

sel as to the extent of Owens's rights under those patents. Owens was then threatening to use the patents to make insulators of heat-resistant ware if it could not get a license to make such ware with Hartford machines. The authors of the correspondence conceded that the only limitation on Owens's use of the Tucker, Reeves and Beatty patents was the practical one whether Owens could succeed in designing a machine under those patents which would not infringe the Hartford patents.[1]

The retention by Owens of the non-exclusive license under the Tucker, Reeves and Beatty patents is thus not an evidence of any continued participation by Owens in any antecedent conspiracy but is confirmatory evidence of Owens's complete independence after 1935.

(v) *Owens's Alleged Sharing with Hartford in Infringement Damages After 1935.*

Complaint is made that "in January, 1936, Owens shared in infringement damages paid by Ball Brothers to Hartford."[2]

The very evidence cited to sustain this Finding of Fact[3] shows that the payment involved was for infringements which had occurred prior to the 1935 agreements. Owens simply collected an antecedent account receivable.

(vi) *Hartford's Alleged Protection of Owens in the Fruit Jar Field After 1935.*

It is charged by the Findings of Fact[4] that from March 25, 1933, until August 1, 1940, Ball demanded and

[1]Exs. 376 (R. 1206, 12943-4), 377 (R. 1207, 12944-5), 378 (R. 1207, 12946); R. 1938-9.
[2]FF 436 (R. 7367).
[3]Exs. 762 (R. 1940, 13446-7), 763 (R. 1940, 13447).
[4]FF 392 (R. 7360).

received from Hartford strict enforcement of Ball's residual exclusive license for fruit jars, and that Hartford "repeatedly refused to license others to use its inventions in the manufacture of fruit jars in order to protect" Ball, Owens and Hazel "from competition."

On the first of these dates Ball received from Hartford an exclusive feeder-former license in the fruit jar field, subject to the then outstanding non-exclusive licenses in that field in favor of Owens, Hazel, Salem Glass Works and Gayner Glass Works.[1] Having granted that exclusive license to Ball, Hartford was without power thereafter to grant anybody a license in that field.

How then does any refusal of a fruit jar license *by Hartford* after 1935 indicate a "close relationship" between Owens and Hartford, or between Owens and Ball, or "participation in the general conspiracy" *by Owens,* after that date?

(b) Owens's Alleged "Close Relationship" with Corning After 1935.

(i) *The Alleged Strengthening of "the Division of Glassware Fields Between Owens and Corning."*[2]

This charge is based upon the fact, already discussed, that Hartford's 1935 licenses to Owens did not include fields in which Hartford had already granted exclusive rights to Corning and in which Owens was not engaged. Before the end of the trial, however, those licenses had been broadened to include the originally excluded rights.

Just how does Owens's failure, in 1935, to get licenses from Hartford which Hartford, through no action by

[1]FF 373 (R. 7355-6), 375 (R. 7356), 385 (R. 7358).
[2]FF 432 (R. 7366-7).

Owens, was legally unable to give it, constitute *any* relationship whatsoever, let alone one "close" or illicit, with Hartford's antecedent exclusive licensee, Corning?

With all of the charges by the Department of Justice that Owens has "dominated" the glassware industry, it seems somewhat inconsistent that it also complains that Owens did not extend its activities into fields wholly unrelated to those in which it has engaged from its organization. There have, however, been many sound business reasons why Owens has never gone into the manufacture of glassware within the so-called "Corning field."

In a large part of that field Owens had no patent rights when it began the manufacture of the entirely different line of bottles and jars. The basic suction patents under which it was originally licensed had been licensed to others in the fields of bulbs, tubing, semaphore lenses, electric glassware, hot or paste mold tumblers, lantern globes, gas globes and chimneys. These items cover the bulk of the so-called "Corning field," except for heat-resistant ware, and they were not included in the patent rights which Owens originally acquired. Indeed, Owens's original license under the basic suction patents was merely to use suction in the manufacture of bottles and jars.[1]

While the field of heat-resistant glass was not excluded from Owens's original basic suction patent rights, the glass used in that field differs in chemical composition from glass used in the Owens line of bottles and jars and was covered by Corning's "Pyrex" patents.[2] The manufacture of

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[1]Ex. O-5209 (R. 3756, 9574-9); R. 6230-1.

[2]In 1938 Hartford and Corning considered suing Owens to prevent its making Pyrex insulators. (Ex. 377 (R. 1207, 12944-5)).

heat-resistant glass is an art in itself, and one in which Owens has never had any experience.[1]

Furthermore, not only has the so-called "Corning field" always differed essentially in its manufacturing problems from those of the field to which Owens devoted its energies, but the marketing problems of the two fields are essentially different.[2] These facts, apparently forgotten when the Department of Justice came to drafting its "Findings of Fact," the Department recognized in its allegation in Paragraph 29 of the Complaint that "the two divisions," *i.e.*, glass containers and the so-called "Corning field," "are independent for commercial purposes."[3]

These facts furnish the full and sole reasons for Owens not having entered the so-called "Corning field."

(ii) *Owens's Alleged Protection of Corning from Anchor-Hocking Competition.*

It is charged[4] that "in December, 1937, C. B. Belknap, vice-president of Owens, secured a promise from I. J. Collins that his company would not start to market heat-resistant ware without first discussing it with Corning."

Collins was connected with the Anchor-Hocking Company.[5]

While Belknap was a vice-president of Owens, whatever he did in this connection was a personal matter, for the Record contains no basis for inferring that Owens had the slightest interest in whether Anchor-Hocking did or did not go into the heat-resistant ware field.

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[1]R. 5584-9.
[2]R. 5516.
[3]R. 9.
[4]FF 443 (R. 7368).
[5]FF 617 (R. 7399).

The uncontradicted evidence is that Belknap ran into Houghton, of Corning, in New York; that Houghton told Belknap that he had not seen Collins for some time and asked Belknap whether, if he saw Collins first, he would ask Collins to talk to Houghton before making Pyrex ware. Houghton explained that he did not want to have to sue Collins or Anchor-Hocking for patent infringement. Belknap did happen to see Collins casually in Toledo, Belknap's home, and equally casually to report the conversation with Houghton.[1]

(iii) *The Tumbler Episode.*

Among the citations in support of the general Finding[2] of illicit Owens relationships and "participation in the general conspiracy" after 1935 is Exhibit 715 and testimony in connection therewith.[3]

This is the episode revealed by the cited evidence:

J. H. Wright, President of Libbey Glass Company, an Owens subsidiary, at a convention of the glass industry in Columbus, Ohio, in 1938, met two Corning employees who told him that Corning was about to go into the tumbler container field and asked for information with respect to that field. At the time a substantial part of Libbey's business consisted of making tumblers usable in the first instance as containers but having the so-called "Safedge" which made them available for general use after their original contents had been removed.

Is it either surprising or legally significant that Wright did not encourage a newcomer in that field and that he

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[1]Ex. 372 (R. 1201, 12939); R. 1945-8.
[2]FF 433 (R. 7367).
[3]R. 3343-4, 3357-8.

brought his conversation to the attention of Belknap, with an expression of the hope that "I think if you can do anything to keep them out of this field, it will be helpful to us and helpful generally"?

There is not the slightest evidence that Belknap or any other Owens representative ever did anything to follow up the Wright suggestion. On the contrary, the license granted by Libbey to Corning for use of the "Safedge" or "burn-off" process contained no restriction which would have prevented Corning from going into the new field,[1] and the fact, conclusively destroying any legal significance to the Wright episode, is that Corning did enter that field.[2]

Indeed, notwithstanding citation of this tumbler evidence in support of the general Finding of "continued participation," the District Judge struck from the Department's draft a proposed Finding specifically covering this episode.[3]

(c) Owens's Alleged "Close Relationship" with Hazel After 1935.

None of the evidence cited by the Findings of Fact in support of their indictment of Owens for its "close relationship" with the other defendants contains any mention of Hazel. Nevertheless Hazel is specifically included in the alleged illicit relationships.[4] Nor can anything be found either in the Department of Justice's briefs below or in the opinion of the District Judge which indicates any relationship at all between Owens and Hazel after 1935, unless it be (1) the 1935 continuance of the earlier exchange of

[1]Ex. O-5187 (R. 3355, appeal record 19761-3).
[2]R. 5543.
[3]R. 7022, 7368.
[4]FF 433 (R. 7367).

suction licenses between Hazel and Owens, or (2) the personal interest of Levis, President of Owens, through a family investment company in the purchase of a small amount of stock in Hazel in 1933 and Levis's directorship in Hazel from the time of the purchase of that stock until August 1935.

The exchange of licenses in 1935 has already been discussed.[1] The personal investment of Levis is discussed below in connection with the problem of the individual Owens Defendants.[2] It suffices to say here that the Levis personal stock in Hazel was disposed of in 1938, and at the time of the complaint herein Levis had no interest at all in Hazel.[3]

(d) Owens's Alleged "Close Relationship" with Ball After 1935.

The District Court found that after 1935 Owens continued to have an understanding with Ball and Hartford that it would not produce in excess of 100,000 gross of fruit jars per year.[4]

The evidence relevant to that Finding consisted of (1) testimony that in 1933 when Ball took from Hartford an exclusive license in the fruit jar field, subject to Hartford's outstanding licenses to Owens, Hazel and others, Ball had requested such a limitation;[5] that an amendment of Owens's license providing for such a license was drawn and submitted to Owens;[6] but that Ball had withdrawn

[1] *Supra*, p. 23.
[2] *Infra*, pp. 101-2.
[3] Ex. 1595 (R. 3941, 8155, 8190).
[4] FF 383-4 (R. 7358).
[5] R. 969, 2145, 4270-2.
[6] Exs. 189 (R. 993, 12713-6), 190 (R. 993, 12716-7), 191 (R. 994, 12717-8), 1743 (R. 4019, 9509 A-C), 1744 (R. 4022, 9509 D-E); R. 993-5, 4021.

its proposal when both Ball and Hartford were told by their counsel that such an amendment would be illegal,[1] plus (2) evidence that from 1933 to 1940 Owens's production exceeded 100,000 gross in only one year, 1935.[2]

From these two facts the inference of a continuing understanding was drawn in spite of (1) express denial by all the parties that any such oral or implied understanding had been substituted for the rejected written limitation[3] and (2) uncontradicted evidence introduced by Owens unequivocally explaining the reasons for its comparatively low sales of fruit jars.

Owens was not in the fruit jar business prior to its acquisition of the assets of Illinois Glass Company in 1929. Illinois began such manufacture as a Hartford licensee several years earlier.[4]

The domestic fruit jar consists of three elements: the glass jar, the cap, and the rubber sealing ring. Neither Illinois nor Owens have ever had any facilities for manufacturing either caps or rings. From the outset Illinois procured caps from a subsidiary of Aluminum Company of America and rings from Cupples Company, a manufacturer of rings.[5]

The marketing of domestic fruit jars requires a sales effort entirely different from that respecting other articles produced by Owens. Jars are sold to wholesale grocers, who in turn sell them to retail grocers for sale to housewives. Neither Owens, nor Illinois earlier, has ever had any contact with the wholesale grocery trade. As the ex-

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[1]R. 4050-3.
[2]Ex. 947 (R. 2444, 13593).
[3]R. 1007, 2422, 2438, 2441-2, 3044-9, 3074, 4054-5, 4268-70.
[4]Owens Answer, par. 157 (R. 208-9).
[5]R. 6411-2.

pense of building up a selling organization for such a single line of goods would have been prohibitive, Illinois, when it entered the domestic fruit jar business, made Cupples Company its exclusive sales agent for that field, and that agency has continued ever since. Cupples Company was an old established organization continuously dealing in its regular business with the grocery trade.[1]

The Owens jars are sold under the name "Presto." In extensive advertising and sales promotion large expenditures have been made, of which Owens bore approximately a third, the other two-thirds being borne by Cupples and the Aluminum Company by reason of their interest in furnishing the rings and the caps. Owens's third of the expenditures from 1930 to 1940 aggregated approximately $109,000. It has progressively increased.[2]

Despite the extensive sales promotion effort on behalf of the "Presto" jar, Owens and its two partners in the promotion of that jar have never been able to equal the sales of Ball, or Hazel, or Kerr, a company not controlled or licensed by any of the defendants.[3] Ball's pre-eminence in the field is, doubtless, in part due to the fact that it manufactures all three elements of the jar in its own factories and the fact that it has been experienced in the field for more than half a century.[4]

Ever since it entered the fruit jar field, Owens has made all the domestic fruit jars it could sell, and there has been

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[1]R. 6410-2, 6538-9; Ex. O-6034 (R. 6411, 9828-31).

[2]R. 6413-6; Exs. O-6035 (R. 6416, appeal record 64128-95), O-6036 (R. 6416, 16166).

[3]Exs. 947 (R. 2444, 13593), 1482 (R. 3532, 12129); FF 391 (R. 7359).

[4]Ex. O-5947 (R. 6243, 15634-8).

no limitation upon its sales[1] other than those inherent in its own abilities to deal successfully in the fruit jar market.

Owens is accused of having dominated the glass industry[2] substantially since its organization, and has also been accused of making excessive profits.[3] In the light of both of these accusations and of the fact that Owens in substance had two partners in its fruit jar business (Cupples and Aluminum Company), it would surely seem that, had Owens been limited by an understanding to 100,000 gross, it would have produced up to the amount of its limitation. Its average production for 1933 to 1939 was 76,385 gross. It was never able to reach the 100,000 mark except in 1931, 1932 and 1935 when it marketed 205,000, 123,000 and 103,000 gross, respectively.[4] The amount produced and sold in those years was abnormal. Resort to home canning by many housewives in the early depression years created a demand for fruit jars which failed to continue after the first burst of enthusiasm wore out.[5] That, and that alone, is the reason for Owens's failure continuously to equal or exceed the 100,000 gross.

(e) Owens's Alleged "Close Relationship" with Thatcher After 1935.

It was charged both in the opinion below and in the general Finding of Fact above referred to, that since 1935, Owens and Thatcher "have been in close cooperation."[6] This charge seems to be based upon two specific Findings of Fact.

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[1]R. 6417.
[2]FF 126 (R. 7304).
[3]FF 128 (R. 7304).
[4]Ex. 947 (R. 2444, 13593).
[5]R. 2546-7.
[6]46 F. Supp. 541, 581; Opinion, p. 77.

The District Court found that in November, 1935, Levis, President of Owens, consulted with Thatcher concerning a proposed joint acquisition of a milk bottle company.[1] The very evidence cited in support of this Finding shows that Levis, though he was an officer of Owens, was, as to this matter, acting not for Owens at all, but solely on behalf of Illinois Glass Company, a private investment company of the Levis family whose business was investment in glass companies.[2] There is, however, no evidence that any such joint acquisition resulted.

The District Court also found that in July, 1936, W. H. Mandeville, at the time a director of Thatcher, agreed to represent on the Thatcher Board stock of Thatcher which Levis had acquired in May, 1935, on behalf of himself, Hazelton and R. H. Levis, who were also Owens directors, and Illinois Glass Company.[3] This Finding does not purport to connect Owens, and the evidence cited in its support indicates no such connection.[4]

The utter frivolousness of this charge of cooperation between Owens and Thatcher based on these two wisps of evidence of Levis's personal transactions becomes the more clear in the light of the undisputed evidence that Levis has had no interest, direct or indirect, in Thatcher since 1938.[5]

There is no other evidence of any relationship, "close" or otherwise, between Owens and Thatcher after 1935. While Thatcher was one of Owens's original suction licensees in the milk bottle field,[6] the license was in sub-

[1]FF 437 (R. 7367).

[2]Exs. 852 (R. 2217, 13514-5), 853 (R. 2217, 13515-7), 835 (R. 2136, 13500).

[3]FF 438 (R. 7367).

[4]Exs. 829 (R. 2126, 13494-5), 833 (R. 2133, 13498), 834 (R. 2133, 13499-500); R. 2126.

[5]Ex. 1595 (R. 3941, 8155, 8190).

[6]FF 395 (R. 7360).

stance abandoned as early as 1926 and was canceled in 1930.[1] Owens itself went into milk bottle manufacturing in 1930, and has ever since been an active competitor of Thatcher.[2]

(f) OWENS'S ALLEGED "CLOSE RELATIONSHIP" WITH LYNCH AFTER 1935.

(i) *Owens's Alleged Suppression of a Lynch Machine.*

Another incident which is referred to in the citations in support of the general Finding[3] of "participation in the general conspiracy" after 1935 was the securing by Owens, in 1936, of a promise from Lynch that Lynch would not furnish to others than licensees of Owens any of the large glass building block pressing machines embodying Owens's developments and ideas furnished to Lynch.[4]

Owens had a property interest in these developments, which was entitled to protection. Lynch was legally prohibited from embodying Owens's ideas in a machine for anyone else, even if the parties had not discussed it.[5]

The uncontradicted evidence shows that the machine was built to meet Owens's specifications and embodied the

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[1]FF 395 (R. 7360); Exs. 1241 (R. 3082, 13821), O-5211 (R. 3756, 9591-607).

[2]R. 2199.

[3]FF 433 (R. 7367).

[4]Glass blocks, and machinery for making them, are expressly excluded from the fields of glassware and glassware machinery dealt with by the decree (Paragraph 1(B)).

[5]*E. I. du Pont de Nemours Powder Company et al.* v. *Masland et al.*, 244 U. S. 100 (1917); *Orange-Crush Co.* v. *American Ornamental Bottle Corporation et al.*, 60 F. (2d) 518 (C. C. A. 4th, 1932); *Booth* v. *Stutz Motor Car Co. of America, Inc., et al.*, 56 F. (2d) 962 (C. C. A. 7th, 1932); *McEuen* v. *Kelley-Koett Mfg. Co.*, 34 F. Supp. 351 (E. D. Ky., 1940), mod. and aff'd, 130 F. (2d) 488 (C. C. A. 6th, 1942); *Gilbert* v. *General Motors Corporation*, 32 F. Supp. 502 (W. D. N. Y., 1940).

joint ideas of the engineers of Owens and Lynch; that the agreement not to furnish the machine to anyone not licensed by Owens was limited to that particular machine; and that Lynch continued to sell its own machine without any reference to or consultation with Owens.[1]

The District Judge seems not to have attached any importance to the incident for, while he failed to strike the citation of the incident from the Department of Justice draft of the general Finding, he did strike from the Department's draft specific Findings respecting the incident.[2]

(ii) *Owens's Retention of its Exclusive Suction License from Lynch Until February 16, 1940.*[3]

This license was acquired by Owens in 1933.[4] Its practical effect, however, was nil, because Lynch had never put out a suction machine.[5] Again it must be kept in mind that Owens was then, as now, the only substantial user of suction devices.

This is another acquisition whose validity is challenged by the Department of Justice. That question, however, is irrelevant to the present issue. The license was unimportant, it was in a field in which Owens was the only interested manufacturer, and the fact that, because of its trivial value, Owens overlooked making it non-exclusive until 1940[6] in no wise derogates from Owens's withdrawal from the alleged general conspiracy in 1935.

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[1]Ex. 751 (R. 1920, 13442); R. 2822-6, 6356-68.
[2]R. 7003, 7021-2, 7351, 7368.
[3]FF 445 (R. 7368). [4]FF 330 (R. 7347).
[5]FF 331 (R. 7347-8).
[6]Ex. LC-5096 B (R. 3456, 9558). The modification of this license in 1940 was another instance of Owens's attempt to bring all its patent agreements into line with Department of Justice views, however unimportant the agreements and however ill-founded those views.

Even if, as an allegedly illegally acquired right, the *exclusive* character of Owens's license might have been dissolved while the license was exclusive, the substantive result had been accomplished prior to the decree by making the license *non-exclusive.*

(g) OWENS'S MEMBERSHIP IN THE GLASS CONTAINER ASSOCIATION AFTER 1935.

The District Court found that after October 1935 Owens continued its active participation in the Glass Container Association.[1]

It is true that Owens continued to be a member of the Association and that Levis was a member of its Statistical Committee.

Owens believes that the conduct of the Association and of the Statistical Committee was entirely lawful. That, however, is a separate branch of the case and the defense of the Association and its Statistical Committee against the charges of the Department of Justice is contained in another brief filed on behalf of the Association as an appellant in No. 14. In that brief the Owens Defendants concur.

The activities complained of were, in brief, (1) statistical reports prepared and distributed among the Association's members, which are claimed to have amounted to an assignment of quotas, and (2) presentation of facts as to the over-capacity of the industry, which notwithstanding their undisputed truth, are claimed to have been an illegal restraint on expansion of the industry.[2]

These alleged offenses are separate from, and unrelated to, the restraints alleged to have been accomplished by the

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[1]FF 440 (R. 7368).
[2]FF 497-508 (R. 7376-8).

patent licensing arrangements. Hence, even if they are themselves subject to an appropriate decree to "prevent and restrain" the offenses, they cannot support either a general charge of continued participation in the alleged pre-1935 patent conspiracy or those provisions of the present decree which in effect confiscate Owens's patents. A wholly collateral anti-trust law violation by a patentee, in which its patents were not a contributing factor, affords no defense to a suit by the patentee for infringement of the patents and no basis for the confiscation of Owens's patent rights contemplated by the decree entered below.[1]

(h) Other Alleged "Participation in the General Conspiracy" by Owens After 1935.

The foregoing alleged "close relationships" cover all but one of the specific bits of evidence cited by the Department of Justice in its briefs below, or by the Findings of Fact, or by the District Judge's opinion to sustain the general Finding of Fact condemning Owens's conduct after 1935.

That single exception is Owens's retention after 1935 of the stationary pot and other patents which it had acquired from O'Neill in 1933 and Owens's failure to license others for the O'Neill pot.[2]

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[1]*General Electric Co.* v. *Minneapolis Electric Lamp Co.*, 10 F. (2d) 851 (D. Minn., 4th Div., 1924); *Virtue et al.* v. *Creamery Package Mfg. Co. et al.*, 179 Fed. 115 (C.C.A. 8th, 1910), aff'd on other grounds, 227 U. S. 8 (1913); *General Electric Co.* v. *Wise*, 119 Fed. 922 (C.C. N.D.N.Y., 1903); *Edison Electric Light Co. et al.* v. *Sawyer-Man Electric Co.*, 53 Fed. 592 (C.C.A. 2d, 1892), cert. denied, 149 U. S. 785 (1893); *Brown Saddle Co.* v. *Troxel*, 98 Fed. 620 (C.C. N.D. Oh., E.D., 1899).

[2]FF 310 (R. 7344-5), 312 (R. 7345), 444 (R. 7368).

The negotiations of Owens and Hartford with O'Neill covered three separate periods. The officers of O'Neill, not those of either Owens or Hartford, took the initiative.[1] The first two negotiations, which dealt primarily with feeders and formers, came to nothing.[2]

Prior to 1933 O'Neill had developed a suction type machine somewhat smaller than the Owens machines. Owens gave this machine a thorough trial but found it unsatisfactory and more expensive in operation than a somewhat similar Owens machine.[3]

In connection with its work on the suction machine O'Neill had developed a stationary pot, the essential feature of which was an "overhanging lip." Owens had been undertaking to develop a stationary pot for use with its own suction machines and thought such a pot would be of great value. In that development Owens had found it necessary to utilize the "overhanging lip" device of O'Neill.[4] For this reason Owens became interested in O'Neill's offer to sell out when that offer was made for the third time in 1933. In order, however, to acquire the O'Neill patent on the "overhanging lip," the only O'Neill asset in which it was really interested, it also had to purchase the other O'Neill suction patents including those on the unsatisfactory suction machine.

The rights other than the pot were never put to any practical use.[5] Owens continued to experiment with the stationary pot and designed a machine especially for use

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[1]Ex. 648 (R. 1610, 13311-3); R. 1069-71, 1517-8.
[2]Exs. 648 (R. 1610, 13311-3), 649 (R. 1610, 13313-6), 650 (R. 1610, 13316-20).
[3]R. 6335-43.
[4]R. 6341-3.
[5]R. 6246-9, 6337, 6342, 6481-3.

with it. But it failed to come up to expectations.[1] That Owens did not license the O'Neill pot to others[2] was due to the fact, so often repeated in this brief because disregarded by the District Court, that no one but Owens had any interest in suction apparatus after 1933.

In determining the effect of Owens's retention of the O'Neill suction patents upon the 1935 agreements as a withdrawal by Owens from the antecedent relationships with Hartford and Hazel, it is irrelevant to determine the dispute between the Department of Justice and the Owens Defendants as to the validity of Owens's 1933 acquisition of those inventions. Let it be assumed *arguendo* that the 1933 acquisition was unlawful, so that retention of the O'Neill patents after 1935 was improper. That fact would go only to supporting a decree relating to the O'Neill patents themselves. It could not support a general condemnation either of Owens's 1935 agreements with Hartford and Hazel, which had no connection whatsoever with the O'Neill patents, or of Owens's conduct after 1935. In no event can it support a general expropriation of *all* Owens's patents after 1935.

7. Owens's Alleged Monopoly of the Suction Art of Automatic Manufacture of Glassware.

The opinion of the District Judge, after referring to Hartford's alleged aggregation of competing patents, says: "Owens has similarly effected an aggregation of patents—all that are known to be in existence in the United States, at least—covering the suction art of automatic manufacture

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[1]Ex. O-5958 (R. 6268, 16009).
[2]FF 312 (R. 7345).

of glassware."[1] Not only is there not the slightest scintilla of evidence in the Record to sustain this charge, but the Record affirmatively proves its falsity.

It has already been shown that all of Owens's basic patents in the suction field have long since expired.[2] No other unexpired patent in that field is basic. All the patents now alive, those of Owens as well as of other inventors, relate only to minor improvements.[3]

While the Record does not purport to show all the suction patents "known to be in existence in the United States," it does show over fifty unexpired patents of Hartford alone relating to the suction art.[4] Hartford has done experimental work in the suction field since 1935, apparently in the hope that it might find a suction machine superior to those used by Owens.[5] One such development, the "fill and empty" method, was put in operation in 1937 in the plant of American Thermos Bottle Company, but after a few months of unsatisfactory operation the machine was returned to Hartford for further experimental work, which was carried out through 1940.[6]

That Hartford's 1935 *non-exclusive* suction license to Owens was merely to make and use, *but not to vend*, may well have been because Hartford hoped to be able to recreate an interest in suction and to license suction itself. There is nothing, either in that license or in any other arrangement between Owens and Hartford, to preclude Hartford either from licensing others under its suction patents, present or future, or from developing a new suction type

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[1] 46 F. Supp. 541, 618; Opinion, p. 153.
[2] *Supra*, pp. 34-5. [3] R. 6662-3.
[4] Ex. H-5356 (R. 4458, 10539-40).
[5] R. 4480-2. [6] R. 4480.

machine and interesting other manufacturers in it. This is evidenced, not only by the American Thermos Bottle Company experimental license above-mentioned, but also by the fact that in 1936 Hartford granted to Knox a license on suction devices.[1]

The Record also indicates the existence of still other suction machines and patents, the Roirant,[2] not owned by, or licensed to, Owens.

Since the District Judge has thus gone outside the Record to make a charge which the Department of Justice must have known to be false, it seems fair to point out the true facts with respect to the patents in the suction field "known to be in existence in the United States." These facts, of course, are all matters of public record.

The records of the United States Patent Office show that from 1899 to 1939 a total of approximately 296 patents relating specifically to the suction method of forming containers have issued. These patents, the public records show, were owned as follows:[3]

15.9%, or 47, by miscellaneous United States owners.
11.1%, or 33, by miscellaneous foreign owners.
19.6%, or 58, by Hartford.
53.4%, or 158, by Owens.

Of these 158 Owens patents, only 33, or approximately 10% of the suction patents "known to be in existence in the United States," were purchased, while the balance of 125, or 80% of the patents held by Owens, originated within the Owens organization. Certainly diligence in in-

[1]Ex. 266 (R. 1077, 9001-5).
[2]Exs. 1217 (R. 3065, 13813), 1750 (R. 4035, 14233).
[3]A list of the suction art patents not owned by Owens is contained in Appendix B.

vention affords no support to a charge of illegally "effecting an aggregation of patents."

Of these 33 purchased patents, 7 were involved in the O'Neill transaction of 1933 and related largely to the O'Neill overhanging lip, an ancillary device which has already been discussed.[1] As noted above, Owens was unable to make anything of the device notwithstanding substantial effort.

None of the acquisitions was made after 1935. If any of such acquisitions were illegal, subjecting the illegally acquired patents to some remedial decree, that fact affords no justification for outlawing all the Owens Defendants' inventions, both before and after 1935.

As has already been pointed out, such improvement patents of Owens in the suction field as have not expired cover very minor refinements, not essential to the effective operation of the machines. The Record shows that of 98 suction machines actually in use in the Owens plants, 86 are without patent protection, all the patents thereon having expired. As to the remaining 12, all the basic patents have expired, only minor specific structures being covered by improvement patents, all of which may easily be avoided or substituted.[2] It has been seen that Ball used

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[1] *Supra*, pp. 70-2.

[2] R. 6656-9, 6664-5, 6481-2; Exs. O-5958 (R. 6268, 16009), O-6183 (R. 6772, 11100). Of Owens's 98 machines, 4 are Model AN, on which the latest patent expired in 1933, 30 are Model AQ, on which the latest patent expired in 1933, 50 are Model AR, on which the latest patent expired in 1933, 1 is Model AV, on which the latest patent expired in 1933, 1 is Model AT, on which the latest patent expired in 1937, that patent being a minor one covering merely a knock-out device, and 12 are Model AO, on which the latest important patent expired in 1933, but which involve miscellaneous minor improvement patents not yet expired.

suction from 1933 until 1940 without payment of royalties. It would therefore be a simple matter for any manufacturer, interested either in the manufacture and sale of such machines or in their use in glass making, to follow Ball's example and develop its own suction machines or, indeed, duplicate the Owens machines.[1]

But, as has also been pointed out,[2] all the other glassware manufacturers have abandoned suction.

The charge of continued illegal monopolization by Owens of the suction field is sheer fiction.

8. The Alleged Domination by Owens of "The Entire Glass Industry."

"Domination" looms as a big word throughout the Findings of Fact and the Department of Justice's briefs. It is applied indiscriminately to practically all of the corporate defendants, including Owens. For example, Hartford is charged with having attained a "dominating position," covering "the entire industry."[3] Hazel is charged with having attained and by its 1932 arrangement "confirmed * * * a dominant position over its competitors."[4] Thatcher had "complete dominance" of the milk bottle field until 1916.[5] Such domination as Owens is charged with was also "threatened" by the development of other rivals.[6] This generality of application itself somewhat weakens the charge of "domination" as leveled against Owens.

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[1]R. 6662-3. In 1933 a group contemplating the establishment of a glass-making plant in St. Paul "were considering building the old Owens machine, on which patents had expired." (R. 2669).

[2]*Supra*, p. 36.

[3]FF 49-62 (R. 7288-91).

[4]FF 224-5 (R. 7327).

[5]FF 397 (R. 7361).

[6]FF 97 (R. 7296).

It has already been seen that the alleged "Owens domination of the suction field"[1] came about because of the fact that all other glassware manufacturers lost interest in the suction field after the development of the gob feeder and former.

Owens, however, seems, in the opinion of the Department of Justice, to have been conceived in sin and born in iniquity, for it is charged that the "domination * * * by Owens commenced shortly after October 16, 1903, when that company obtained exclusive rights to the Owens suction machine in the glass container field."[2] In other words, when Michael J. Owens invented the then best glass making machine and Owens was organized to acquire rights under the inventions in the container field, thus becoming the most efficient producer of the particular type of bottle it was producing, Owens thereby, at its very birth, committed the cardinal sin of "domination."

Owens's original sin, however, is charged as continuing in "domination" of "the entire glass industry."[3] Owens is also characterized as "dominating," with Hazel, the container industry,[4] as "dominating" with Thatcher the milk bottle field,[5] and as "dominating" with Ball and Hazel the fruit jar field.[6]

Whatever success Owens may have within the glassware industry, which may furnish a basis for a loose statement that it dominates any branch of that industry, has been due to the competence of its research laboratories, its manufacturing techniques, and its business management. It has

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[1]FF 431 (R. 7366).
[2]FF 92 (R. 7295).
[3]FF 126 (R. 7304).
[4]FF 230 (R. 7328).
[5]FF 417 (R. 7364).
[6]See FF 391 (R. 7359).

not in any sense bee: due to any misuse of its patents, certainly none since 1935. Indeed, since 1921 Owens has not purported to have suction patents capable of preventing anyone from using efficient suction type machines and since 1933 there have been no such patents even upon any important improvement.[1]

But in no possible anti-trust sense does Owens in fact dominate "the entire glass industry" or the container field or the milk bottle field or the fruit jar field.

The charge of Owens's domination of "the entire glass industry,"[2] is but an instance of the unrestrained zeal of advocacy of the Department of Justice.

"The entire glass industry" is recognized as being divided into many general divisions, which are not competitive with each other. In many of these divisions,—*e.g.*, flat glass which is excluded from "glassware" by definition in the decree, lamp bulbs, Pyrex—Owens has never engaged.

The case of the Department of Justice was built up, and the decree is based, on the theory that that part of the glass industry affected by the complaint is to be divided into the fields of (1) "glass containers" and (2) "non-container ware." These two fields, again, are not competitive with each other.[3]

The latter field is largely the so-called "Corning field," in which Owens's production has been negligible. The differences of manufacturing technique and marketing problems between the container field and the non-container field have already been discussed.[4] Those differences account for

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[1]R. 6660-1. See p. 75, *supra.*
[2]FF 126 (R. 7304).
[3]Paragraph 29 of the Complaint so alleges. (R. 9).
[4]See pp. 58-9, *supra.*

Owens's failure to make any great effort or to achieve any substantial commercial success, in the latter field.

Even the container field has always in turn been divided by industry practice, based on the differing manufacturing and marketing problems involved, into (1) narrow neck ware; (2) wide mouth ware; (3) milk and cream bottles; and (4) fruit jars. Again these fields are independent of each other, and not competitive.

It is therefore almost as meaningless for the Department of Justice to charge,[1] as it does, Owens's domination of the container industry as it is to charge Owens's domination of the entire glass industry.

In the field of narrow neck ware Owens is admittedly the largest manufacturer. Its production for the years 1935 to 1939, inclusive, in that field has averaged approximately 40% of the entire production. There are, however, at least 38 other producers of various types of ware in the narrow neck field.[2] These include not only the defendants Hazel and Ball and the dismissed defendant Anchor-Hocking but also the entirely comparable Armstrong and Knox compa ies. Of these 38 manufacturers, only 4 do not have Hartford licenses.

Since the 1935 Owens-Hartford-Hazel agreements Owens has imposed no restrictions whatsoever upon the use of the Owens feeder-former patents by Hartford

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[1]FF 230 (R. 7328). *Cf. United States* v. *Winslow*, 227 U. S. 202, 217 (1913), where this Court said: "* * * we can see no greater objection to one corporation manufacturing seventy per cent. of three non-competing groups of patented machines collectively used for making a single product than to three corporations making the same proportion of one group each."

[2]Exs. 1584 (R. 3941, 8107-33), H-5750 (R. 5733, 15436-50).

licensees who are competitors of Owens. So far as Owens is concerned, Hartford is free to license those patents to any competitor of Owens in any field and for any quantity. As has already been noted, before the trial ended Hartford removed from its licenses all field of use, quantity and other restrictions so that all the 38 competitors of Owens in the narrow neck field are not only unrestricted in that field but are entirely free to enter production in any other field.

As has been shown above, there has been nothing in Owens's suction patent situation since 1933 which would have prevented any of Owens's competitors in the narrow neck field, for which the suction type apparatus is best adapted, from duplicating the very type of suction apparatus which Owens is itself using in the manufacture of narrow neck ware.[1] Ball, it will be remembered, for several years after 1933 did in fact use suction apparatus without payment of royalties.

Apparently the Department of Justice is not prepared to charge Owens itself with dominating the milk bottle field. Its charge is that "Thatcher and Owens dominated" that field.[2]

Owens has had absolutely no connection with Thatcher, as licensor, licensee, stockholder or otherwise, since 1930, although Illinois Glass Company, the family investment company with which Levis, Owens's President, was connected, did own 6.81% of Thatcher stock from 1935 until 1938.[3] Owens has competed with Thatcher as vigorously

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[1]See pp. 75-6, *supra*.

[2]FF 417 (R. 7364).

[3]Ex. O-5215 (R. 3758, 9617-9); Owens Answer, par. 12 (R. 175-6).

as it could, and the Record is barren of any evidence to the contrary. The shipments, by gross, in the milk bottle field for the years 1935 to 1938, inclusive, have been as follows:[1]

Year	*Total*	*Thatcher*	*Thatcher's Percentage*	*Owens*	*Owens's Percentage*
1935....	1,936,046	745,768	38.5%	565,587	29.2%
1936....	2,307,008	897,113	38.9	688,507	29.8
1937....	2,414,177	943,998	39.1	748,266	31.0
1938....	2,072,484	840,424	40.6	578,328	27.9

In addition to Owens's wholly unrestricted competition from Thatcher, Owens has competition in this field from at least 7 other producers.[2]

In this field the patent situation is exactly the same as that in the narrow neck field. So far as Owens is concerned, its feeder-former patents may freely be licensed by Hartford without limitation and Owens has no contrary understanding with anyone. They are so licensed today. Any milk bottle producer who may so desire is also free to duplicate Owens's suction machines for production of milk bottles, and no patents of Owens, or indeed of anyone else, affords any substantial obstacle.

In the fruit jar field the Department of Justice is even more reluctant to stand on a charge of domination by Owens alone, for Owens is linked with Ball and Hazel.[3]

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[1]Exs. 1462 (R. 3532, 12109), 1466 (R. 3532, 12113).

[2]Exs. 1463 (R. 3532, 12110), 1464 (R. 3532, 12111), 1468 (R. 3532, 12115), 1469 (R. 3532, 12116), 1470 (R. 3532, 12117), 1471 (R. 3532, 12118), 1472 (R. 3532, 12119), 1473 (R. 3532, 12120), 1474 (R. 3532, 12121), 1475 (R. 3532, 12122), 1476 (R. 3532, 12123), 1477 (R. 3532, 12124), 1478 (R. 3532, 12125).

[3]FF 391 (R. 7359).

In this field, however, as has already been pointed out,[1] Owens has had no relationships of any kind with either Ball or Hazel since 1935, except for the exchange of licenses in the suction field between Owens and Hazel.

It has also been seen that Owens has not been particularly successful in its efforts in the fruit jar field, but that the reason for its lack of success has been the peculiarity of marketing conditions in that field.[2]

The figures, in gross, for the fruit jar field, however, are as follows:[3]

Year	*Total*	*Ball*	*Ball %*	*Hazel*	*Hazel %*	*Owens*	*Owens %*
1935..	1,282,239	733,156	57.2%	247,365	19.3%	103,110	8.0%
1936..	817,740	434,124	53.1	159,359	19.5	66,162	8.1
1937..	1,208,840	694,880	57.5	212,919	17.6	95,530	7.9
1938..	857,202	489,116	57.1	138,075	16.1	44,641	5.2
1939..	889,091	483,273	54.4	156,849	17.6	57,123	6.4

In addition to the unrestricted (and obviously successful) competition from Ball and Hazel, Owens at the time of the trial was meeting competition in the fruit jar field from at least 8 other producers.[4]

Again, since 1935 Owens has imposed no restrictions whatever upon the licensing of its feeder-former patents in this field, and the use of suction apparatus in the field is unhindered by patents.

Perhaps the best evidence that the patent situation has not impeded competition is that the fruit jar production of Kerr & Company, which is licensed neither by Hartford nor by Owens, was for 1934, 20.05% and for 1935, 16.17%

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[1]See pp. 61-5, *supra.*

[2]See pp. 62-5, *supra.*

[3]Ex. 947 (R. 2444, 13593).

[4]Ex. H-5750 (R. 5733, 15436-50).

of the entire production.[1] In each of these years the Kerr production thus substantially exceeded the Owens production. Indeed, it substantially equalled that of Hazel, with which Owens is falsely alleged by the Department of Justice to share "domination" of this field. Kerr's production in later years is not shown by the Record. The fair inference is that it increased, for otherwise the Department of Justice would surely have complained of the suppression of an "independent."

In the field of wide mouth ware (exclusive of fruit jars and milk bottles), the Department of Justice suggests no domination by Owens. The Owens production from 1935 to 1939 averaged approximately 20% of the industry. Hazel had substantially greater production and there are many other manufacturers in this field.

Striking evidence that "domination" does not exist in the glass container industry in any anti-trust sense is the fact that from 1928 to 1939 the relative increase in volume of the small and medium sized companies was substantially greater than the industry rate of increase, and still greater than the rate of increase of the large companies, including, besides the defendants Owens, Hazel, Thatcher and Ball, the dismissed defendant Anchor-Hocking and the non-defendant Armstrong.[2] Of these larger companies all but Ball had a smaller percentage of the total market in 1939 than in 1928, and the increase of Ball was but slight.[3] Indeed, during this period the small and medium sized companies increased their percentage of total industry volume

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[1]FF 391 (R. 7359); Ex. 1482 (R. 3532, 12129).

[2]These 6 companies were the only companies having production in excess of 1,000,000 gross in 1928 (Ex. GCA-6090 (R. 6625, 16250)).

[3]Ex. GCA-6090 (R. 6625, 16250).

from 20.4% to 31.8%, while the six named large companies suffered a decline from 79.6% to 68.2%.[1] For example, Knox, a non-defendant, increased its production during the 11 year period from 2.0% of the total industry production to 6.3%.[2] Additional statistical material showing the constant more rapid growth within the glass container industry of the small and medium sized companies, as compared with the larger companies who were alleged to "dominate" the industry, is set forth in the brief of the Glass Container Association in No. 14.

Thus the charge of "domination," as against Owens, whether by itself or in association with other defendants, dissolves when the facts are brought to light.

To give further credence to the charge of domination, it is charged that "Owens has been and is the recognized price leader in narrow neck glassware."[3] Admittedly Owens is the largest manufacturer in this single field. The economic fact of "price leadership," not resulting from agreements, is familiar in every industry. It always exists in the absence of complete chaos in any industry and is seldom due to any price agreements between industry units. Generally speaking, smaller units in a particular field are under an economic necessity to follow the larger units. If they charge higher prices they will not get the business; if they systematically cut prices the larger units will be compelled equally to cut prices in order to meet the competition. The necessary result is that prices tend to stabilize at those fixed by the major unit. Otherwise a period of price wars ensues, frequently with fatal results to the weaker units.

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[1]Ex. GCA-6092 (R. 6626, 16252).
[2]Ex. GCA-6088 (R. 6624, 16248).
[3]FF 127 (R. 7304), 230 (R. 7328).

That price leadership exists as an economic fact and that no illegality attaches thereto, in the absence of price fixing agreements, has been more than once recognized by this Court.[1]

It is significant that the testimony cited to support the Finding of Owens's price leadership in narrow neck bottles is merely a statement by a manufacturer of this economic fact and contains not the slightest suggestion of any price fixing agreement by Owens with any of its competitors.[2] Nor could any such evidence have been cited, for the Record contains none, whether in the field of narrow neck glassware or in the fields of containers generally, of milk bottles or of fruit jars.

Allied to the charge of Owens's domination is the charge that "the profits of Owens for the years since 1928 have been excessive."

That charge is supported by a statement of net sales for the years 1928 to 1939, inclusive, and of net income showing an average for those years of 12.8% of net sales, varying from a low of 7.7% in 1932 to a high of 19.9% in 1928.[3]

The Finding of Fact containing these figures does not state, what is the fact, that the so-called "net income" is before Federal or State income taxes.[4] But even though

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[1]*United States* v. *United States Steel Corporation et al.*, 251 U. S. 417, 447-9 (1920); *Cement Manufacturers Protective Association et al.* v. *United States*, 268 U. S. 588, 606 (1925); *United States* v. *International Harvester Company et al.*, 274 U. S. 693, 708-9 (1927).

[2]R. 6644.

[3]FF 128 (R. 7304).

[4]Ex. 1596 (R. 3941, 8194-5); see U. S. Brief below, p. 120, ftn. 111.

the figures be taken before taxes, these profit ratios on their face seem modest rather than excessive.[1]

9. Conclusion.

Owens's 1935 agreements with Hartford and Hazel were entirely lawful. They withdrew Owens from any antecedent illegal relationships and withdrew Owens's patents from any taint of use by Owens to restrain trade or to monopolize. No act of Owens after the 1935 agreements constituted participation in any violation of the anti-trust laws or subjected the Owens patents to any such taint.

These facts, it is submitted, justify dismissal of the complaint as against all the Owens Defendants.

But even if they do not require dismissal of the complaint they do (as will be pointed out in Point III) necessitate material modification of the decree.

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[1]The "Additional Report of the Special Committee Investigating the National Defense Program" pursuant to S. Res. 71 (77th Cong.), dated March 30, 1943 (Report No. 10, Part 5), indicates that settlements of renegotiation of war contracts by the Navy have allowed an over-all ratio of profit to readjusted sales prices, before taxes, as high as 16.62%, and by the Army have allowed such over-all ratio as high as 22.1%. "The great bulk of Navy settlements relating to 1942 sales have been concentrated between 8.5% and 13.6%."

POINT II

THE DISTRICT COURT ERRED IN EXTENDING THE PROVISIONS OF THE DECREE TO THE PERSONAL PATENTS AND PERSONAL ACTS OF THE INDIVIDUAL OWENS DEFENDANTS, DISASSOCIATED BOTH FROM OWENS AND FROM ANY CHARGE OF THE COMPLAINT; AND IT ALSO ERRED, AS TO MOST OF SAID DEFENDANTS, IN IMPUTING TO THEM LIABILITY FOR ANY VIOLATION OF THE ANTI-TRUST LAWS WHICH MAY HAVE BEEN COMMITTED BY OWENS.[1]

In an anti-trust proceeding of the magnitude and complexity of this one there is always a tendency by the jury in a criminal action, and frequently a tendency by the trial court in a civil action, to examine the evidence as to the principal corporate defendants and, if those defendants are found to have violated the law, similarly to treat the individual defendants—without adequate independent consideration of the record to connect them with the violations. Recently Judge Stone (of the Western District of Wisconsin) had occasion to comment on this tendency in setting aside a blanket verdict and granting a new trial to individual officers and directors of corporate defendants in *United States* v. *Standard Oil Company (Indiana) et al.*[2]

Such an error seems to have been committed by the District Court in the present case. The opinion below makes

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[1]The assignments of error relied upon in connection with Point II are numbers I; II (1)-(12), (15)-(28), (34)-(45); III (56), (57), (65), (68), (88), (89), (100)-(103); IV (10), (12); VI (1)-(3), (14); and VII.

[2]"I am also satisfied that in the light of the proof as a whole, but applied individually in the light of special circumstances shown as to them, which it would be fruitless to review here but which appear in the various motions and briefs, there is good

no references at all to most of the individual Owens Defendants. As to those individuals to whom references are made, either in the opinion or in the Findings of Fact, the specific acts referred to are in most cases of negligible legal significance. In no case do they justify the punitive provisions of the decree against the individual Owens Defendants and their individual patent rights.

1. The Capacities of the Individual Owens Defendants and Their Connections with the Alleged Conspiracy.

Thirteen individual Owens Defendants[1] were found to "have contracted, combined, and conspired to restrain trade, and [to] have monopolized, attempted to monopolize,

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reason to believe that certain defendants have not had an adequate separate consideration of their defense, in view of the fact that as to some of them direct evidence of participation was lacking or slight, and the circumstantial evidence viewed as a whole may well have obscured other facts and circumstances shown, in some cases, to be highly suggestive of innocence, and in all cases entitled to be considered and weighed. Once the jury arrived at the conclusion that a conspiracy to fix prices had been in operation, defendants as to whom only circumstantial evidence had been offered were naturally at a serious disadvantage in being charged and tried along with large corporations and other individuals definitely shown to have engaged in the conspiracy. Men who were employed by large corporations may well have had harmful inferences drawn from the fact that their employers, the corporations, participated in the conspiracy." 23 F. Supp. 937, 939 (W. D. Wis., 1938), aff'd sub nom. *United States* v. *Socony-Vacuum Oil Co., Inc., et al.*, 310 U. S. 150 (1940).

[1]At the outset seven additional Owens directors or former directors were named as defendants (Complaint, par. 20 (R. 7-8)). Four were dismissed on the motion of the Department of Justice at the end of the case because of lack of evidence against them. Two, Hazelton and Phillips, were dismissed because of death. The other, R. H. Levis, was dismissed for reasons of health.

combined and conspired to monopolize trade, in violation of Sections 1 and 2 of the Sherman Antitrust Act."[1]

Six, Greenhalgh, McAdoo, Knight, Root, Schwenck and Collin, were only directors of Owens.[2] Four, Levis, Belknap, Barnard and Boeschenstein were officers and directors, while Boshart, a director, had formerly been an officer.[2] McNerney and Martin were merely secretarial officers.[2]

All the provisions of the decree run alike against all of them, not in their representative capacities, but in their personal capacities and against their personal patent rights.

Yet of the thirteen individual Owens Defendants only four (Levis, Boshart, Belknap and Collin) can fairly be said to have participated in one or more of the transactions found to be unlawful with any knowledge of their over-all significance. Levis, since he became an officer of Owens in 1929, has been the leading figure in all Owens's activities.[3] Boshart was the executive head of Owens during the 20s, when Owens was endeavoring to settle its patent disputes with Hartford, but the Record shows little participation by him in those negotiations.[4] Belknap, whose services as a lawyer on behalf of Owens antedated the 1924 agreements, has been an active officer since 1933, and has participated, in one capacity or the other, in many of the transactions involved in the present case.[5] Collin has not only been a director of Owens since July 23, 1926, but, in his capacity as a promoter or broker, participated in several of the acquisitions of physical assets and patents of other companies.[6] In some of the transactions in which Collin participated he was not acting for Owens.[7]

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[1]Decree, Paragraph 3.
[2]Owens Answer, par. 20 (R. 177-9).
[3]FF 567-8 (R. 7389).
[4]FF 584-5 (R. 7392).
[5]FF 573-9 (R. 7390-1).
[6]FF 586 (R. 7392-3).
[7]*Infra*, Appendix A, pp. ix-xiv.

As to the remaining nine individual Owens Defendants there is no evidence in the Record to indicate that any of them knew of the relationship of the particular transactions, with which they were connected, to the industry-wide pattern alleged by the Department of Justice.

As to the five who were merely Owens directors (not including Collin), substantially the only charge made against any of them is their approval, at directors meetings, of some of the alleged illegal agreements.

Greenhalgh and McAdoo, as directors, approved only one set of agreements—those in 1935 by which, as has been seen,[1] Owens divorced itself from the Hartford licensing business and sought to obviate any possible taint of anti-trust law violation in its patent relationships.[2] Each had been a director for only a few months prior to the meeting at which the 1935 agreements were approved.

Root, too, is charged, as a director, only with approval of the 1935 agreements.[3] Two other charges, however, are made against him.

He sold his own company, a manufacturer of glass containers at Terre Haute, Indiana, to Owens in September 1932.[4] The transaction was initiated by Root, not by Owens. Root, who was a close personal friend of Levis,[5] had lost his only son in an accident, and desired to retire from business.[6] The plant was operated by Owens from its acquisition until the depression of 1938, when it was closed down, but it was reopened again in 1942.[7] In this transaction there was nothing savoring of an anti-trust law violation on the part of either Root or Owens.

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[1] *Supra*, pp. 22-43. [2] FF 588, 590 (R. 7393).
[3] FF 591 (R. 7393).
[4] FF 591 (R. 7393); Ex. 1922 (R. 5420, 14478).
[5] R. 2003. [6] R. 2005.
[7] U. S. Brief below, p. 231, ftn. 215.

Root became a director of Owens following the latter's acquisition of the Root plant.[1]

In the summer of 1932, before his sale to Owens and when his son was still alive, Root and his son attended a meeting of the Glass Container Association at White Sulphur Springs. The Findings of Fact[1] charge that "Root attended" this meeting "with Levis, McNash and I. J. Collins and others" at which "Levis, Root and McNash urged I. J. Collins to surrender General's Hartford feeder license to manufacture fruit jars." The testimony upon which this charge against Root is sought to be based does not even show that Root was present at the time of the alleged "urge" upon Collins. The testimony was that of Levis, and in full is as follows:

> "Q. What was the occasion of meeting down there?
>
> "A. It was a Glass Containers' Association meeting, general jollification. My brothers joined me there. I had not been home for a long time. My father was there, Mr. Ball, Mr. Root, and his son. We had finished the Glass Container meeting and we were sitting around having a family talk. I remember the meeting thoroughly.
>
> "Q. Do you remember *the conference you and Mr. McNash and Mr. I. J. Collins* had at the Glass Containers' Association meeting in the summer of 1932 at White Sulphur Springs—you talked about this Ball Brothers' request?
>
> "A. Yes.
>
> "Q. Tell us that.
>
> "A. We told him he ought to give up the license. He wasn't using it and we thought he should let Ball Brothers come in and take the license."[2]

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[1]FF 591 (R. 7393).

[2]R. 2146-7. Italics ours.

It will be noted that all that is said about Root and his son is that they were at the Glass Container Association meeting. The conference involving Levis, McNash and Collins is referred to merely as an episode occurring while Levis was at White Sulphur for the meeting. The inference is that it was entirely separate from the "family talk" at which Root and his son were present. In no event, however, is there any suggestion that Root said anything or had anything to do with the alleged request upon Collins.

The charges against Greenhalgh, McAdoo and Root thus boil down to nothing more than the fact that they were at the meeting of the directors at which the 1935 agreements were authorized. In the light of the fact that the entire intent and purpose of Owens in entering into those agreements was to withdraw from the pre-existing licensing arrangements with Hartford and Hazel and obviate any possible charge of anti-trust law violation, it is not at all improbable that that purpose was explained to the directors there present. The Record, however, contains no such evidence. But even if it did, could it possibly be said that this single action of voting as directors to approve agreements intended as a purge of possible anti-trust law violations itself constituted participation in those violations? Conceivably it might be said of these defendants that by that vote they were not successful in getting their corporation out of trouble, but certainly it may not be said of them that by that vote they were themselves guilty of any violation of the law.

Barnard, although earlier an officer, did not become a Director until July 12, 1935.[1] There is substantially noth-

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[1]FF 587 (R. 7393).

ing more to the charges against him than that he too, as a director, attended the meeting at which the 1935 agreements were authorized.[1] In addition, however, the Findings of Fact charge him with having been "on the Planning Committee of Owens" and "a director of Glass Container Association since 1937."[1] These facts are true. But of what legal significance are they in the absence of any showing that in either of the capacities he had some general knowledge of the interrelationship of all the various corporate defendants alleged to constitute the conspiracy of which the Department of Justice complains, or in some way participated in some of the alleged illegal acts?

In so far as Barnard's directorship in the Glass Container Association is concerned, it is to be noted that although that Association and two of its operating heads were made defendants in this proceeding, none of the other directors of the Association as such are defendants. Apparently, therefore, there is no contention by the Department of Justice that mere directorship in the Glass Container Association constituted the Association's directors participants in the alleged conspiracy. In any event no evidence of any of Barnard's actions as such a director purports to connect him with any of the Association's alleged illegal activities.

Aside from the Findings of Fact, the only reference to Barnard either in the Department of Justice briefs below or in the opinion of the District Court is to a memorandum by Naylor, an Owens employee, dated August 23, 1938, which states that Barnard had reported that O'Neill European was offering a good suction machine and had suggested that Owens "should watch this situation carefully" because, if O'Neill European desired, it could come into the United States. Naylor reported that Barnard expressed

[1]FF 587 (R. 7393).

the view that O'Neill might agree to stay out of the United States and make an agreement if Owens gave it certain information regarding suction machines.[1] There is nothing in the Record, however, to show that anything was ever done to implement Barnard's alleged views or that any such agreements were made with O'Neill European.

The other two individual Owens Defendants who were merely directors, Knight and Schwenck, and the officer-director Boeschenstein, as directors not only approved the 1935 agreements but also were present at the directors meetings at which were approved the O'Neill purchase of 1933, the Lynch suction license of 1933, and the suction license from Hartford under the Headley and Thompson patents in 1933.[2]

Again there is no evidence that any of these three directors had any conception of the relationship of the purchase of the O'Neill overhanging lip and of the two license agreements to any alleged industry conspiracy. There was nothing on the face of any of these arrangements to suggest illegality. It has already been seen[3] that the sale of the O'Neill assets had been suggested by O'Neill itself and pressed over several years, and that, upon a third renewal of the negotiations, Owens became interested in the purchase of a part of those assets only because they included rights to the overhanging lip. This feature had value only in the suction field and it had peculiar value to Owens because the O'Neill patents upon it covered a similar feature which Owens was trying to develop. At the time only Owens, of all the glassware manufacturers, had any sub-

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[1]46 F. Supp. 541, 572; Opinion, pp. 58-9; Ex. 1287 (R. 3231, 13877-8).

[2]FF 589 (R. 7393), 592 (R. 7394), 580-3 (R. 7391-2).

[3]*Supra*, p. 71.

stantial interest in suction apparatus. Even if there was, in 1933, some industry conspiracy between Owens, Hartford, Hazel and others violative of the antitrust laws, Owens's purchase of the O'Neill pot, in order to remove the overhanging lip from patent litigation, was no part of that conspiracy but was a lawful and natural separable transaction. And even if Owens's acquisition of licenses under the Lynch patents and under the Headley and Thompson patents constituted some contribution to a general conspiracy, can it fairly be said that directors who voted to authorize those licenses became thereby chargeable with knowledge of the entire conspiracy in the absence of any evidence suggesting any such knowledge?

Schwenck is also charged with having signed, as an officer of an Owens subsidiary, the 1924 agreements between Owens and Hartford and with having approved, as an Owens director, the 1932 agreements of Owens with Hartford and Hazel.[1] It is not suggested, however, that he had anything to do with the negotiation of any of these agreements, or that he had any knowledge of their place in the entire pattern of the inter-company relationships so elaborately worked out in the Department of Justice's case. His signing of the 1924 agreement as an officer of a subsidiary was purely a ministerial act.

The officer-director, Boeschenstein, is further charged with having signed, as vice-president of Owens, a supplemental agreement with Hazel in 1933, and, as vice-president of an Owens subsidiary, some of the 1935 agreements.[2] Nowhere is it even charged that the agreement which he signed with Hazel in 1933 was illegal. The 1935 agree-

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[1]FF 592 (R. 7394).
[2]FF 581-2 (R. 7392).

ments which he signed were those designed to withdraw Owens and all of its subsidiaries from the antecedent alleged illegal relationships. Again, however, his signatures were purely ministerial acts taken at the direction of the policy-making executives, of which Boeschenstein is not suggested to have been one.

It is also suggested that Boeschenstein, as vice-president of Owens, was active in matters relating to the exclusion of newcomers from the glassware industry.[1] In support of this ambiguous charge, the Department of Justice refers to several letters. One, a letter dated April 22, 1935, from Boeschenstein to A. M. Pease of Hartford, tells of a memorandum written by Pease which Levis had passed on to Boeschenstein concerning the plan of two individuals to launch a new glass business.[2] Boeschenstein expresses the hope that more facts can be gathered about the new venture and closes with the observation that any further information Owens may obtain will be passed on to Pease. In its brief below, the Department of Justice referred to this letter as a grateful acknowledgment by Boeschenstein, on behalf of Levis, of information regarding a project by Midway Glass Co. to start a new glass concern on the west coast.[3] Obviously, this letter merely relates to trade gossip. Nothing is said about excluding newcomers, nor is there any evidence to show that any steps were taken to exclude the newcomers.

Reference is also made to an earlier memorandum dated September 12, 1934, from Levis to Boeschenstein relating to a telephone conversation which Levis had with F. C. Ball

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[1]FF 583 (R. 7392).
[2]Ex. 487 (R. 1323, 13140A).
[3]U. S. Brief below, p. 114.

concerning the possibility of Jenkins Brothers entering the fruit jar field.[1] The memorandum passes on to Boeschenstein the substance of a telephone conversation. While the memorandum states that Levis told Ball that Boeschenstein would go into the Code situation further (this was during the N. I. R. A. days when over-capacity was the main problem), there is nothing to show that Boeschenstein took any action with respect to Jenkins Brothers.

Also referred to is a short undated note from Levis to Boeschenstein enclosing a copy of a memorandum prepared by Levis and Belknap dated December 18, 1933, concerning the plan of civic leaders in St. Paul, Minnesota, to erect a glass factory in that territory.[2] Again, there is nothing to show that Boeschenstein participated in any way or took any action. He simply was the recipient of trade information. The memorandum itself shows that Levis discussed the economics of the glassware industry with the spokesman for the St. Paul group and explained that his company after a careful study had decided not to open a factory in that territory.

The remaining two individual Owens Defendants are McNerney, the Secretary, and Martin, the Assistant Secretary.

Aside from the bare fact of their occupying these purely clerical positions, the principal charges against them are that in these clerical capacities they attested to the signatures of certain of the documents alleged to have been part of the illegal conspiracy, and in the case of McNerney, that he signed the minutes of the meetings of the Board of Directors at which were authorized (a) the 1932 agree-

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[1]Ex. 837 (R. 2157, 13501).
[2]Ex. 865 (R. 2235, 13528-31).

ments between Owens and Hartford and Hazel, (b) the 1933 O'Neill purchase, (c) the 1933 suction license from Lynch, (d) the 1933 Headley and Thompson license from Hartford, and (e) the 1935 agreements.[1]

Can it be that merely acting as a scrivener at board meetings and attesting to the authenticity of signatures on a document constitutes a violation of the anti-trust laws, particularly in the absence of any showing of knowledge of the significance of the documents in an alleged complicated conspiracy?

It is submitted that, so far as McNerney and Martin are concerned, the case is governed by the decision in the *Standard Sanitary* case, where, in an equity proceeding under the Sherman Act against various corporations and corporate officers, a three-judge court, although finding for the United States, dismissed as to certain individuals, saying:[2]

> "The evidence shows that two of the individual defendants, namely, Bert O. Tilden and George W. Franzheim, secretaries of the Colwell Lead and the Wheeling Enameled Iron Companies, respectively, had no part in forming the combination. They did not do anything in connection with it, except to attest in their official characters papers executed by their corporations. As to them the petition should be dismissed."

Nor can any inference be drawn against McNerney on the ground that, as Assistant Secretary of Owens from 1917 to 1929, and as Secretary after that date, he probably saw all the directors' minutes. Those minutes on

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[1]FF 569-72 (R. 7989-90).

[2]*United States* v. *Standard Sanitary Mfg. Co. et al.*, 191 Fed. 172, 194 (C. C. D. Md., 1911), aff'd, 226 U. S. 20 (1912).

their face raise no suggestion of illegality as to any of the specific documents approved. They nowhere indicate the many conferences and the voluminous correspondence between the top executives of the several alleged conspirators, or the pattern of patent interference proceedings and patent litigation, or the general licensing, or the policies of the various corporate defendants in limiting licenses to specific fields, or any of the many other facts by which the Department of Justice sought to give color of illegality to the innocent appearing documents approved by the Board of Directors. McNerney was also found to have been "a member of the licensing committee from June, 1917, until 1926."[1] While this might indicate some knowledge on his part of licensing policy in those early years, nowhere in the Record is there any indication that the licensing committee did any of the things charged by the Department of Justice to have been illegal.

Two additional charges are made against Martin.

It is charged that on "December 5, 1934, he conferred with Safford. The parties reached an agreement that the feeder license from Hartford to Hemingray Glass Company for insulators, which had been acquired by Owens, should be renewed, and that although the insulator license was to be non-exclusive, 'Hartford would first discuss with' Owens 'any new licenses for insulators' which in the future Hartford might be asked to issue to others."[2]

The Record shows that at a conference between Safford, of Hartford, and Belknap, Naylor and Martin, of Owens, regarding renewal of a then exclusive feeder license for insulators from Hartford to Hemingray Glass Company,

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[1]FF 571 (R. 7390).
[2]FF 569 (R. 7389-90).

which was acquired by Owens, Safford expressed Hartford's dissatisfaction with both the royalty rates and insulator output.[1] On these grounds he was unwilling to renew the license as an exclusive license. Safford, however, did agree that before granting a license to anyone else Hartford would take the matter up with Owens, *i.e.*, it would see how Owens did under the new non-exclusive license. Does this mere attendance by Martin at a conference attended by a superior Owens officer evidence his participation in the elaborate conspiracy alleged to exist in this case?

Martin is also charged with collection for Hartford of information to be used by Hartford in a suit against Swindell for infringement of Hartford's lehr patents. As is pointed out in Appendix A in greater detail,[2] the information was relevant to the issues of the suit and was requested by Hartford from Belknap. All of it could have been obtained by subpoena. Belknap delegated to Martin its collection. Does his doing *voluntarily* at Belknap's direction what could have been *compelled* by legal process violate the anti-trust laws?

As to nine of the individual Owens Defendants, therefore, it is submitted that there is no basis for any decree against them. None of them did anything more than have some slight contact with a very few of the hundreds of mosaic chips which the Department of Justice pieced together into a picture of anti-trust law violation. The chips in each case, taken by themselves, were clear of any sinister implication. The chip with which most of them dealt, the 1935 agreements, never became a part of any picture of illegality. As to the other chips, there is no show-

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[1]Ex. 1281 (R. 3217, 13874-6).

[2]Appendix A, pp. xiv-xv.

ing that any of these nine defendants ever knew that the chips were to be part of a picture. How, then, can these nine defendants be fairly charged, as they are by this decree, with liability as architects of the entire picture?

As to the four individual Owens Defendants who did participate in the alleged unlawful transactions: There is no suggestion that Belknap or Boshart ever acted otherwise than in a representative capacity. Levis and Collin, however, are charged by various of the Findings of Fact with a personal, as contrasted with a representative, capacity in some of the transactions complained of.

As to Levis the only personal transactions dealt with by the evidence or the District Court's opinion relate to the investments of Illinois Glass Company in Hazel and Thatcher.[1] After Illinois, of which Levis was President and in which he had a large personal interest, sold its manufacturing establishment to Owens, in 1929, it purchased blocks of stock in various companies in the glass industry, its greatest investment in Hazel being 5.75% on August 1, 1933, and in Thatcher, 6.81% on May 20, 1935.[2]

Incidental to those investments Levis became a director of Hazel in October, 1933, Illinois having first acquired stock in Hazel during the summer of 1932.[3] Levis resigned his Hazel directorship in August, 1935 and Quay, who had no connection with Owens, succeeded him as the representative of Illinois on the board.[4] Although Quay

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[1]46 F. Supp. 541, 581; Opinion, p. 77.

[2]Complaint, par. 12 (R. 5-6), Owens Answer, par. 12 (R. 175-6).

[3]Exs. 955 (R. 2477-8, 13602-3), 784 (R. 2005, 13461-2), 785 (R. 2005, 13462-3), 786 (R. 2006, 13463-4), 817 (R. 2097, 13483-4).

[4]Exs. 958 (R. 2488, 13605-6), 827 (R. 2117, 13492-3); R. 2118.

represented the Illinois stock on the Hazel board, Levis did not receive information other than that sent to all shareholders.[1] Illinois was dissolved in 1938 and Levis sold the Hazel stock received by him on the dissolution soon thereafter and before this action was brought.[2]

In 1935 Illinois acquired 10,000 shares of Thatcher common stock and some 6,000 additional shares were purchased by Levis, members of his family and Hazelton.[3] W. H. Mandeville, who had no connection with Owens and who was the son of the President of Thatcher, went on the Thatcher board in July, 1936 entirely independently of any suggestion on the part of any one connected with Owens or Illinois. After he was on the board Levis asked that, as a member of the board, he represent the Levis personal stock interests.[4] Levis had disposed of all his interests in Thatcher before this action was brought.[5]

Levis's personal participation in the alleged anti-trust violations, as contrasted with his participation as an officer-director of Owens, stems wholly from the investments of Illinois and his family. It is not unnatural that he chose the securities of companies in the field he knew best for investment purposes in order to protect, as far as humanly possible, the funds of his family. *All these stock relationships, however, had ceased prior to the institution of this proceeding. Levis did not, either directly or indirectly, own any stock in Hazel or Thatcher at the time the complaint was filed.*[5]

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[1]R. 2118-24.
[2]R. 2120, 2124.
[3]Exs. 829 (R. 2126, 13494-5), 833 (R. 2133, 13498).
[4]Ex. 834 (R. 2133, 13499-500).
[5]Ex. 1595 (R. 3941, 8155, 8190).

Collin has been a director of Owens from 1926 to date. The Findings of Fact contain no charge that as a director he acted on any of the agreements alleged to constitute a part of a conspiracy.[1] They do, however, erroneously charge that as "director of Owens" he secured certain options and did certain other acts which, it is clear from the Record, he did, not as such a director, but in his private capacity as a promoter or broker. In the latter capacity he obtained an option on the assets of the Miller Machine and Mold Works, which was exercised by Lynch in 1933,[2] and also obtained an option on the O'Neill assets in 1931, which was never exercised.[3] It is also charged that in 1934 Collin was present when certain threats were made against the Amsler-Morton Company in an effort to acquire its lehr business. However as pointed out in Appendix A, in that transaction Collin was not acting for Owens at all but either in his private capacity or, if for anyone else, for Simplex, the company with which the two other individuals involved in the threats were associated and which was apparently the prospective purchaser of Amsler-Morton.[4] These isolated instances of Collin's acting as a broker would hardly seem sufficient to justify the broad finding made against him.

2. The Nature of the Liability of Corporate Officers and Directors under Section 14 of the Clayton Act.

In the District Court the Department of Justice rested the attempted imposition upon the individual Owens De-

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[1]FF 586 (R. 7392-3).
[2]FF 323 (R. 7346), 328 (R. 7347).
[3]FF 305 (R. 7343-4).
[4]Appendix A, pp. ix-xiv.

fendants of liability for the acts of Owens entirely[1] upon Section 14 of the Clayton Act (15 U. S. C. Sec. 24) which is set out in the margin.[2]

Section 14 is on its face a criminal provision dealing with violation of "any of the penal provisions of the anti-trust laws." The remedy for which it provides in the same sentence which declares the offense is fine or imprisonment, or both. It therefore seems doubtful that it has any applicability to a proceeding in equity under Section 4 of the Sherman Act. It is significant that it was not relied upon by pleading in the complaint.

However, assuming, *arguendo,* that Section 14 is applicable to this proceeding, it does not create an unconditional derivative liability on corporate directors, officers and agents, who, as such, have participated in the illegal acts. While this Court has never had occasion to interpret Section 14, the lower courts and counsel for the Department of Justice in anti-trust proceedings have recognized that individuals come within the penalties of that Section only when they *knowingly* authorize or participate in the violations.[3]

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[1]U. S. Brief below, pp. 424-30.

[2]"Whenever a corporation shall violate any of the penal provisions of the antitrust laws, such violation shall be deemed to be also that of the individual directors, officers, or agents of such corporation who shall have authorized, ordered, or done any of the acts constituting in whole or in part such violation, and such violation shall be deemed a misdemeanor, and upon conviction therefor of any such director, officer, or agent he shall be punished by a fine of not exceeding $5,000 or by imprisonment for not exceeding one year, or by both, in the discretion of the court."

[3]Thus, in the recent criminal proceeding under the anti-trust laws against the large tobacco companies at Lexington, Kentucky, counsel for the Department of Justice referred with approval to

The burden of proof in a civil proceeding is, of course, different from that in a criminal proceeding. The applicable legal principles regarding identification with the conspiracy are, however, the same.

In setting aside the convictions of many of the individual defendants in the *Standard Oil* case already mentioned, the trial judge referred to the ramifications of large corporations, pointing out that executives of such corporations might never know that certain apparently insignificant acts had been done as a result of a conspiracy, and said:

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the charge of the trial court in the *Standard Oil* case, *supra,* 23 F. Supp. 937, as follows:

"Beyond that, I think it might be helpful to recall the charge in the Madison Case dealing with this particular point. That charge read as follows, in the portion which dealt with the problem of authorization by individuals or participation by individuals:

'Even if you are convinced beyond a reasonable doubt as to a moral certainty that the conspiracy alleged in the indictment in fact existed and that any particular defendant corporation was a party thereto, the fact alone creates no inference that any individual defendant who was an officer or employee of such defendant corporation also was a party thereto, because officers and agents of a corporation are not liable for the acts of such corporation merely because they are officers and agents of such corporation. Nor would such officers or agents become criminally liable merely because they knew of the alleged conspiracy or in their official capacities ought to have known thereof; but in order to convict any officer or agent of a defendant corporation, you must be satisfied beyond a reasonable doubt that he knew of the conspiracy and its unlawful purposes, and that he knowingly participated therein, either by authorizing, ordering, or doing some act or acts constituting, in whole or in part, the unlawful conspiracy.'

"That, if the Court please, I take it, is the language of Section 14 of the Clayton Act, substantially." *U. S.* v. *The American Tobacco Co. et al.,* unreported (E. D. Ky., 1941), 59 T. R. 8489.

> "Many of the acts were innocent enough on their face, so that a defendant knowing only what appeared on the surface, might easily have drawn no inference of violation of law from the mere knowledge of the facts shown."[1]

Accordingly, though an officer or director may, in fact, perform acts which make substantial contributions to the success of a conspiracy, "Those having no knowledge of the conspiracy are not conspirators."[2] Knowledge that a conspiracy exists is a prerequisite to a finding that one has participated therein.

Read in the light of the recognized principles of law applicable to the liability of corporate directors and officers the evidence against most of the individual Owens Defendants is patently inadequate to sustain a conclusion of guilt, even under the derivative liability provision of Section 14 of the Clayton Act.

Such men as Greenhalgh, McAdoo, Root, Schwenck and Knight cannot be said *knowingly* to have engaged in anti-trust violations when they merely participated in directors' meetings at which agreements were approved whose specific object, in the case of the 1935 agreements, was to remove Owens from the licensing field and to withdraw from activities which might bear any taint of illegality.

McNerney and Martin were junior executives fulfilling simple ministerial and secretarial functions. Whatever they did was in accordance with instructions from above and was not shown to have been done with any knowledge of its broad legal significance.

Barnard and Boeschenstein, though vice-presidents, had only occasional contact with the activities of Owens in

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[1]23 F. Supp. 937, 939, aff'd, 310 U. S. 150.
[2]*United States* v. *Falcone et al.*, 311 U. S. 205, 210 (1940).

the field of the alleged conspiracy and Boeschenstein's isolated acts were clearly done as amanuensis on agreements which he had not negotiated and about the substance and implications of which it is not shown that he knew anything.

As against the foregoing individual Owens Defendants it is believed that no relief at all is warranted, even assuming Owens's participation in a violation of the anti-trust laws and the continuance of that violation after 1935.

However, there is no disposition to deny or dodge the fact that Boshart in the 20s, Levis since 1930, and Belknap since becoming vice-president in 1933 were the active Owens participants in the transactions condemned below. Collin also had an active part in the 1933 Miller acquisition. Nevertheless, injunctions having the personal impact of those embodied in this decree should not have been directed, even as against those four individual Owens Defendants, and even though it be assumed both that the condemned transactions violated the Sherman Act and that Section 14 of the Clayton Act is applicable.

Section 14 may, in a criminal proceeding, subject those individuals who knowingly "have authorized, ordered, or done" any illegal acts to a personal monetary fine for their participation *in the alleged violation.* That, however, is quite a different thing from subjecting to the injunctive provisions of the decree *personal patents* not charged to have been involved either in the violations covered by the complaint, or indeed in any violation of the anti-trust laws.

The violations which, by Section 14, are also made the violations of individual directors, officers or agents, are *the corporation's violations,* that is, they are the acts done by the directors, officers or agents *in representation of the corporation.* This is clear from the language of Section 14:

> "Whenever a corporation shall violate * * * the anti-trust laws, *such violation* shall be deemed to be *also* that of the individual directors, officers, or agents of such corporation who shall have authorized * * * or done any of the acts constituting in whole or in part *such violation.*"[1]

If any of the individual Owens Defendants had as a principal done any act constituting a violation of the anti-trust laws, or if any individual Owens Defendant had used his personal patents to accomplish the alleged conspiracy, his liability would have been that of a principal. It would have been founded directly upon Sections 1 and 2 of the Sherman Act and not upon Section 14 of the Clayton Act.

In the present case there is no intimation that any of the individual Owens Defendants (with the possible exception of Levis and Collin) had any personal interest in any of the action complained of. Nor is there any suggestion that the personal patents belonging to any of the individual Owens Defendants (including Levis and Collin) were involved in any of the transactions complained of.

3. The Impact of this Decree upon the Personal Property and Personal Business of the Individual Owens Defendants.

If there be found in the present case anti-trust law violations on the part of Owens not dissipated at the time of the entry of the decree herein, it may well be that it is proper to direct against the four individual Owens Defendants having knowledge of the whole situation the general injunction, contained in Paragraph 9 of the decree, enjoining all the defendants "from engaging in or participating

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[1]Italics ours.

in * * * *the aforesaid violations* of the Sherman Antitrust Act and the Clayton Act."[1] It would also be proper to apply to them appropriate provisions against holding securities and offices in competing companies.[2]

The decree herein, however, perpetually restricts all the individual Owens Defendants in their personal capacities and as to their personal patent rights (a) without regard to their discontinuance of any connection with Owens[3] and (b) in fields disassociated from the glass industry.[4]

For example, Greenhalgh, whose only connection with the entire alleged conspiracy was his attendance as a director at the meeting approving the 1935 agreements, shortly after going on the Owens Board, is denied in perpetuity the right to exploit in a recognized commercial manner any patent which he may hereafter acquire or any patented

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[1]Modified as indicated in Point III, p. 119, *infra*.

[2]Such as may be provided by Paragraphs 33-36 of the decree modified as hereafter suggested. See Point III, 8, pp. 194-5, *infra*.

[3]In *United States* v. *Sugar Institute, Inc., et al.*, 15 F. Supp. 817 (S. D. N. Y., 1934), mod. and aff'd, 297 U. S. 553 (1936), in a proceeding against an alleged conspiracy in restraint of interstate commerce in sugar, two of the individual defendants were dismissed on the following reasoning (15 F. Supp. 907): "They have long since, though after suit was filed, joined a newly established sugar brokerage firm and since then have apparently had no other active connection with the industry. Brokers had not been made defendants in this proceeding. Assuming that the petition would have been sustained as against brokers jointly with the members of the Institute, I cannot deem this alone a sufficient reason now to retain them in the case and thus to make them alone of the many brokers defendants therein. Regardless of the situation when suit was filed, there seems now to be no impending threat by Harper or, with some little doubt, by Stone, of a renewal of the wrongs with which, in a capacity other than that of brokers, they were originally charged. As to these two defendants, the petition will be dismissed without prejudice."

[4]See Point III, 5, pp. 154-9, *infra*.

product in which he may become interested. If twenty years hence and long after his disassociation from any corporate defendant, he were to patent a drink vending machine whose possibilities might most appropriately be realized by geographical exploitation, Paragraph 29 of the decree would require any licenses which he might grant to be non-exclusive and unrestricted, without geographical or other limitations. He could not reserve to himself the right to exploit the machine in New York while giving to someone else the right to exploit it in California. Nor, if he had an interest in a patented drink could he give a quantity discount in connection with its sales.[1]

4. Conclusion.

Effective modification must be made in the decree to eliminate from its findings of illegal action and from its injunctive provisions the nine individual Owens Defendants not shown to have knowingly "authorized, ordered, or done" any of the acts complained of[2] and, as to the four remaining individual Owens Defendants,[3] to limit the application of the decree to the findings of Paragraphs 3, 4, 6, 7 and 8, to the general injunction contained in Paragraph 9 and to the prohibition by Paragraphs 33-36 of holdings of securities and offices in competing companies, and thereby to obviate the impact of the remainder of the decree upon them and their property personally, as contrasted with their representative capacities.

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[1]See Point III, 5, pp. 154-9, 169, *infra*.

[2]Greenhalgh, Knight, McAdoo, Root, Schwenck, Barnard, Boeschenstein, Martin and McNerney.

[3]Levis, Belknap, Boshart and Collin.

POINT III

THE DISTRICT COURT ERRED IN INCORPORATING IN THE DECREE PROVISIONS NOT NECESSARY OR APPROPRIATE TO "PREVENT AND RESTRAIN" THE VIOLATIONS OF THE ANTI-TRUST LAWS CHARGED IN THE COMPLAINT BUT DELIBERATELY DESIGNED TO PUNISH THE DEFENDANTS FOR AN ALLEGED "PROPENSITY TO VIOLATE THE LAW" BY CONFISCATING THE INVENTIONS, BOTH PAST AND FUTURE, OF ALL THE DEFENDANTS, BOTH INDIVIDUAL AND CORPORATE.[1]

1. The Scope of a Decree under Section 4 of the Sherman Act.

In framing a decree under Section 4 of the Sherman Act, the discretion of a court of equity is broad "to prevent and restrain" the violations found to exist.

The court is "bound to frame its decree so as to suppress the unlawful practices and to take such reasonable measures as would preclude their revival."[2]

The use of means to accomplish the violation, similar to those shown actually to have been used, may be enjoined even though the record lacks evidence of the specific use of all the devices enjoined.[3]

So broad is the chancellor's discretion as to such a decree that "In framing its provisions doubts should be re-

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[1]The assignments of error relied upon in connection with Point III are numbers II (1)-(45).

[2]*Ethyl Gasoline Corporation* v. *United States*, 309 U. S. 436, 461 (1940).

[3]*Local 167, International Brotherhood of Teamsters, etc., et al.* v. *United States*, 291 U. S. 293, 299 (1934).

solved in favor of the Government and against the conspirators."[1]

These principles the Owens Defendants recognize.

But, broad as is the discretion of the chancellor, it is not without limitations, and those limitations have been transcended in this case in respect of the Owens Defendants.

An equity decree in an anti-trust proceeding, as in any other equity proceeding, looks to the future, not to the past. It is to prevent and restrain *future* violations and not to punish defendants for *past* violations that such an instrument must be designed.[2] Punishment is the function of a proceeding under the criminal law.

"Past unlawful competition does not deprive parties of their right to conduct lawful competition."[3]

If, like the Owens Defendants in the present case, there has been complete withdrawal from the illegalities for fully seven years prior to the decree, defendants are entitled to a dismissal of the complaint.[4]

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[1]*Local 167, International Brotherhood of Teamsters, etc., et al.* v. *United States,* 291 U. S. 293, 299 (1934).

[2]*United States* v. *United States Steel Corporation,* 223 Fed. 55, 59 (D. N. J., 1915), aff'd, 251 U. S. 417 (1920); *United States* v. *American Can Company et al.,* 230 Fed. 859, 902; 234 Fed. 1019 (D. Md., 1916), appeal dismissed on motion of appellant, 256 U. S. 706 (1921). "Penalties which are not authorized by law may not be inflicted by judicial authority." *The Standard Oil Company of New Jersey et al.* v. *United States,* 221 U. S. 1, 77 (1911). *Cf.* language of Judge Cardozo in *Nann* v. *Raimist,* 255 N. Y. 307, 315 (1931), "An injunction does not issue * * * as punishment for the past * * *."

[3]*United States* v. *Standard Oil Co. of New Jersey et al.,* 173 Fed. 177, 192 (C. C. E. D. Mo., 1909), aff'd, 221 U. S. 1 (1911). See also dissenting opinion in *United States* v. *International Harvester Co. et al.,* 214 Fed. 987, 1004 (D. Minn., 1914), appeal dismissed on motion of appellants, 248 U. S. 587 (1918).

[4]*United States* v. *United States Steel Corporation,* 251 U. S. 417, 452 (1920); *United States* v. *Aluminum Co. of America et al.,* 44 F. Supp. 97, 215 (S. D. N. Y., 1941).

If illegal provisions of cross-licensing agreements are effectively eliminated by the parties, even during the course of the trial, the decree may properly omit any relief against such provisions.[1]

But even if dismissal be not required, even if the court should fear revival of illegal contractual provisions, the decree against the defendants may not be framed on the principle that "their misconduct in the past justifies the court in putting them in a different class than other people."[2]

The "first principles of justice" require that the court shall not "sanction a decree so vague as to put the whole conduct of the defendants' business at the peril of a summons for contempt. We cannot issue a general injunction against all possible breaches of the law."[3]

A decree may not properly "cause those who were within the embrace of the order to cease to be under the protection of the law of the land * * *."[4]

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[1] *Standard Oil Company (Indiana) et al.* v. *United States,* 283 U. S. 163, 181-2 (1931).

[2] R. 6906.

[3] *Swift and Company* v. *United States,* 196 U. S. 375, 396 (1905). "* * * the mere fact that a court has found that a defendant has committed an act in violation of a statute does not justify an injunction broadly to obey the statute and thus subject the defendant to contempt proceedings if he shall at any time in the future commit some new violation unlike and unrelated to that with which he was originally charged." *National Labor Relations Board* v. *Express Publishing Co.,* 312 U. S. 426, 435-6 (1941).

[4] *The Standard Oil Company of New Jersey et al.* v. *United States,* 221 U. S. 1, 80 (1911); *New York, New Haven and Hartford Railroad Company* v. *Interstate Commerce Commission,* 200 U. S. 361, 404 (1906).

The framing of the decree should "challenge our care that our decree be no more drastic than the facts of the case and the law demand."[1]

The "fact must not be overlooked that injury to the public by the prevention of an undue restraint on, or the monopolization of trade or commerce is the foundation upon which the prohibitions of the statute rest, and moreover that one of the fundamental purposes of the statute is to protect, not to destroy, rights of property."[2]

Care must be taken to see that the decree does not incorporate provisions "which may do more harm than good."[3]

The fundamental test, particularly in respect of any agreement not *per se* unlawful, is "whether it is necessary to eliminate the valid agreement in order successfully to eradicate the unlawful combination."[4]

And in determining what the public interest requires this Court must keep in mind that "the circumstance that one of the parties is the government does not in itself mean that the interest which it asserts defines and com-

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[1]*United States* v. *E. I. du Pont de Nemours & Co. et al.*, 188 Fed. 127, 153 (C. C. D. Del., 1911).

[2]*The Standard Oil Company of New Jersey et al.* v. *United States*, 221 U. S. 1, 78 (1911). Cf. *United States* v. *American Tobacco Co., et al.*, 191 Fed. 371, 383-4 (C. C. S. D. N. Y., 1911). See also *United States* v. *American Tobacco Company*, 221 U. S. 106, 185 (1911); *American Press Association* v. *United States*, 245 Fed. 91, 93 (C. C. A. 7th, 1917).

[3]*Sugar Institute, Inc. et al.* v. *United States*, 297 U. S. 553, 605 (1936). See also *United States* v. *American Can Company et al.*, 234 Fed. 1019 (D. Md., 1916), appeal dismissed on motion of appellant, 256 U. S. 706 (1921).

[4]*United States* v. *Bausch & Lomb Optical Co. et al.*, 45 F. Supp. 387, 399 (S. D. N. Y., 1942).

prehends the public interest which the court must vindicate."[1]

These principles of law both the Department of Justice and the District Court failed to recognize.

In presenting the draft of the decree for the signature of the District Judge the representative of the Department of Justice said:

> "* * * these defendants have flagrantly for many years violated statutes on the books since 1890, it is not going too far to enjoin them from future violations of that same act. All that Paragraph 9 is intended to do is to enjoin them from combining and conspiring to violate the Sherman Act; true, in any connection, with any other product as well as glass containers and glass machinery.
>
> "Why should we have to start more suits against these people? They are before Your Honor. They have shown a propensity, I say an evil propensity. * * * It seems to me what ought to be done here is to enjoin them for all time from violating statutes on the books, so that we should not have to institute another proceeding against them and have years go by before we get a decree; and so that we can come before Your Honor, or before some successor of Your Honor, and seek to hold them in contempt."[2]

The deliberate intention of the Department of Justice to extend the decree to any violation of the anti-trust laws,

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[1] *Chrysler Corporation et al.* v. *United States*, 316 U. S. 556, 570 (1942). In considering the present decree, this Court should also keep in mind that the Department of Justice does not speak for "the government" in determining fundamental amendments to the patent law. The authoritative voice of "the government" in that field is Congress, and, as will be seen in the further analysis of the decree, Congress has repeatedly repudiated the views of the Department, embodied in this decree, as to the "public interest" respecting the patent laws.

[2] R. 6900.

however disassociated it might be from the violation alleged by the complaint, to impose its punitive restraints upon businesses not related to the business affected by the complaint and to substitute in unrelated matters contempt proceedings for the normal processes of law, was further shown by the statement:

> "* * * We intend Paragraph 29 to apply to any product made by any of the defendants. And that was done deliberately. These defendants came before Your Honor, if I may use the word, convicted of violation of the Sherman Act and Clayton Act. I don't think it is an unfair statement to say that from the record in the case, they had a propensity to violate the law. * * *.
>
> "* * * it seems to me that the court has the power to and should enjoin the people before Your Honor from using these same practices in connecnection with every other phase of their businesses. * * *.
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> " * * * I am repeating, again, when I say that their misconduct in the past justifies the court in putting them in a different class than other people."[1]

The draft decree presented in this spirit went far beyond the relief outlined in the District Court's opinion.[2] Nevertheless it was signed by the District Judge with but one substantive change.[3] That single substantive change

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[1]R. 6905-6.

[2]46 F. Supp. 541, 620-2; Opinion, pp. 156-160.

[3]In the light of the reckless advocacy of the Department of Justice evidenced not only by its argument in presenting its draft of the decree, but in the draft itself, this was a case for application of the principle announced by this Court in *Milk Wagon*

was made only when the Department of Justice, after considering the defendants' memoranda, realized that many specific decisions of this Court negatived any possibility of sustaining the proposed broad injunction against all future violations of the anti-trust laws, and accordingly acquiesced in limiting the general injunction (Paragraph 9) to "any of the aforesaid violations" of those laws, referring, of course, to the violations found to have occurred by Paragraphs 3 to 8, inclusive.

But the improper breadth of injunction proposed by the Department was retained in other paragraphs of the decree.

2. Summary of the Decree as Affecting the Owens Defendants.[1]

In order to limit the discussion in this Point III to the appropriateness of the decree irrespective of the merits of the Department's substantive contentions, it will be assumed that Owens, during the period April 9, 1924 to October 1, 1935, participated in a violation of the Sherman Act affect-

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Drivers Union of Chicago, Local 753, et al. v. *Meadowmoor Dairies, Inc.*, 312 U. S. 287, 296 (1941):

> "According to the best practice, a judge himself should draw the specific terms of such restraint and not rely on drafts submitted by the parties."

That the judge did not observe this salutary principle, as well as his acquiescence in the punitive character of the Department of Justice's draft, may in part be explained by his criticism of the Department for not having prosecuted the defendants under the criminal provisions of the Sherman Act. (46 F. Supp. 541, 606; Opinion, pp. 128-9).

[1]Paragraphs 2 and 55 to 60, inclusive, are not unusual formal provisions. Paragraphs 5, 10 to 20, inclusive, 22, and 42 to 50, inclusive, by their terms do not apply to the Owens Defendants. Accordingly none of these Paragraphs are here discussed.

ing the fields of feeders, formers and suction machines and that some decree is appropriate against it.

Paragraph 1 contains the definitions which control the remaining provisions of the decree. Subparagraph (D) extends all the prohibitions of the decree (including those applying to patents and patented products unrelated to glassware) not only to the corporations named in the decree but to any other corporation, "whether or not engaged in the manufacture and sale of glassware or manufacture and distribution of machinery used in the manufacture of glassware" which "(a) is controlled directly or indirectly, through stock ownership or otherwise by the corporation referred to, or (b) is a subsidiary, successor, parent or subsidiary of a parent of the corporation referred to." The result is that if the assets or stock of one of the corporate defendants should hereafter be acquired by a corporation engaged primarily in some other business (such as an electric manufacturing company, a food or beverage processing company, or a proprietary medicine company) or if one of the defendant corporations should acquire the assets or stock of such a non-competing company, all the provisions of the decree would in perpetuity attaint the assets and business of the acquiring company or of the acquired company, as the case might be. The importance of this perpetual attainder, and perpetual expansion of the scope of the decree, will become evident as the further provisions of the decree are analyzed.

Paragraphs 3, 4, 6, 7 and 8 contain in broad terms findings of violations of Sections 1 and 2 of the Sherman Act. Paragraph 3 includes among the Owens Defendants found to have committed all the enumerated violations, individual Owens Defendants against whom such a finding

cannot properly be made. The effect of such findings, since they are not limited to derivative liability under Section 14 of the Clayton Act, is to subject the individual Owens Defendants, in their personal capacities and in their personal patent property, to all the provisions of the decree. See Point II.[1] The enormity of this injustice will also appear with the further analysis of the decree.

Paragraph 9, broadly enjoins the violations "charged in the complaint" and "practices, contracts, relationships or understandings * * * *having a tendency* to continue or revive any of the aforesaid violations." It requires modification to bring it into compliance with Section 19 of the Clayton Act and Section 65 (d) of the Federal Rules of Civil Procedure, as well as to clarify the vagueness implicit in the word "tendency."

Paragraphs 21, 23 and 25 perpetually restrain the defendants, individual as well as corporate, who may engage in the business of distributing glassware machinery (1) from leasing machinery as contrasted with "outright sale for cash or on credit not to extend over a period of more than two years;" (2) from engaging in that business at all unless they agree to sell machinery to any applicant "at reasonable and equal prices and upon reasonable and equal terms and conditions of sale to each applicant," all as may be fixed by the District Court; and (3) from various forms of discrimination in filling orders for machinery; and *Paragraph 28* strikes down all existing leases by Hartford of glassware machinery, including those to Owens, and substitutes merely a right to purchase the machines.

While none of the Owens Defendants has engaged in the business of distributing machinery since 1918, or has

[1]Pp. 108-10, *supra*.

any present intention of re-entering that business, they believe that these paragraphs go beyond the District Court's discretion and that they should be deleted or materially modified.

Whether or not the principle of this Court's decision in the *Ethyl* case[1] would justify striking down the present Hartford leases of glassware machinery, nevertheless striking down the alleged illegal leasing system is quite a different matter from perpetual outlawry of valid leases.

If Paragraphs 21, 23, 25 and 28 are not to be deleted, they should be modified (1) to permit valid *bona fide* leases at lessees' option and (2) to confine the injunction against otherwise valid restrictive provisions of the leases to a period not longer than until the District Court shall have found "that the consequences of" the violations "have been fully dissipated."

Paragraph 26 is sought to be justified as an extension of the principles of the *Morton Salt*[2] and *B. B. Chemical*[3] cases. It enjoins, until the District Court shall have found "that the consequences of the conduct * * * in violation of" the anti-trust laws "have been fully dissipated," suits for infringement of, or for the collection of royalties or license fees under, present patents and patent applications. It seems at least doubtful that the two decisions upon which Paragraph 26 purports to be based can be extended to sustain any such injunction in an anti-trust decree. In any event, however, Paragraph 26 must be radically modified to bring it within limitations clearly expressed in those two opinions as to (a) patents affected and (b) duration of the

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[1]309 U. S. 436 (1940).
[2]314 U. S. 488 (1942).
[3]314 U. S. 495 (1942).

injunction. The *Morton Salt* and *B. B. Chemical* cases and their implications in connection with Paragraph 26 will be discussed in Point III, 3.

Paragraph 27 finds to be illegal, and cancels, *all* Owens's agreements with Hazel and Hartford. There are no existing agreements between Owens and either Hazel or Hartford which antedate the lawful 1935 agreements. Those 1935 agreements, being both inherently lawful and free of any illegal use, should not be canceled.[1] Particularly, none of Owens's agreements with Hartford relating to lehrs has the slightest taint of illegality on Owens's part. The relationships between Owens and Hartford as to lehrs have always been at arms-length and often controversial.[2]

Paragraph 31 subjects to the approval of the District Court all future agreements between any of the defendants and all future license agreements within the glassware industry to which any of the defendants is a party. It is unlimited both as to the scope of the agreements affected and as to time. Literally it would affect a lease of his house by one of the individual defendants to another fifty years hence. Obviously it must be brought within reasonable bounds.

Paragraph 32 enjoins various defendants, including the Owens Defendants, from attempting to exercise a veto power on Hartford's licensing. Since 1935 none of the Owens Defendants has so attempted.

Paragraphs 33-36 by their broad language go quite beyond their seeming purpose of preventing the ownership by the defendants, individual as well as corporate, of stock

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[1]Point I, 3, 5, pp. 22-5, 28-43, *supra.*
[2]Appendix A, pp. i-ix, *infra.*

in competing companies and the holding of offices and directorships in competing companies. While that purpose is appropriate, the prohibitions as expressed require modification to permit reasonable small investments by the individual defendants and investments in corporations having a negligible glassware business, without constant risk of innocent violation. Suggested modifications are discussed under Point III, 8.[1]

Paragraphs 37-40 deal with the Glass Container Association. Paragraphs 37-39 affect the Owens Defendants only through the membership of Owens or individual Owens Defendants in the Association or upon its committees. The excesses of the provisions of those Paragraphs and the modifications which must be made if they are to be brought into line with the well settled law heretofore declared by this Court with respect to trade associations are dealt with in the Association's brief in No. 14. Paragraph 40, however, has a broader effect upon the Owens Defendants and, properly modified, must be considered in determining the adequacy of the decree without Paragraphs 24, 29, 51 and 52 which, it is contended, should be deleted. It enjoins all the defendants from almost every conceivable type of cooperative action, either as among themselves or with any other manufacturer or seller of glassware or glassware machinery, designed to limit or control production, affect prices, allocate markets or pro-rate business. Some of these provisions of Paragraph 40 are appropriate remedies for the anti-trust law violations found to exist, but again, as pointed out in the Association's brief in No. 14, many of them are so broad and indefinite as to require modification, and many of them go so far beyond anything

[1]Pp. 192-5, *infra.*

relevant to the present case, or appropriate under Section 4 of the Sherman Act, as to require deletion.

Paragraph 41 enjoins various defendants, including the Owens Defendants, from "continuing or entering into any agreement or undertaking * * * the effect, purpose, or result of which is to restrain or limit whatsoever the production or sale of fruit jars." The Owens Defendants have never been parties to any such "agreement or undertaking."

Paragraphs 53-54 enjoin cooperative action among the defendants or between them and others in numerous practices in the Patent Office. The Record is clear that none of the Owens Defendants has cooperated with any of the other defendants in any Patent Office proceeding since 1935.

While many of the foregoing paragraphs relate to alleged activities of Owens prior to October 1, 1935, which have not continued since that date, and while, in any event, substantially every one of those paragraphs requires modification, it may be that some provisions dealing with their subject matter are appropriate to the decree. Properly modified to relate them to the offenses alleged in the complaint, those paragraphs will be entirely adequate and effective to "prevent and restrain" all the violations of the anti-trust laws found to exist in the present case and any similar violations.

The decree, however, by Paragraphs 24 (perpetual compulsory patent licensing), 29 (perpetual outlawry of all patent grants except unrestricted non-exclusive licenses), 51 (perpetual outlawry of all acquisitions of patent rights except non-exclusive licenses) and 52 (perpetual outlawry of applications for patents not licensed or worked for four years), imposes upon the defendants restraints which are

not related to the violations alleged, which are wholly punitive and which go beyond the punishments which might have been visited upon the defendants had they been convicted in a criminal proceeding. Those paragraphs must be deleted.

3. Paragraph 26: Its Improper Extension of the Doctrine of the Morton Salt case.

The relevant portion of Paragraph 26 is set forth in the margin.[1]

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[1]"26. The defendants, * * * Owens-Illinois Glass Company and the individual defendants associated therewith; * * * and each of them be and they hereby are enjoined, until the entry of a finding by this Court, after petition filed by such defendants on thirty days' notice to the Attorney General of the United States and a hearing thereon, that the consequences of the conduct of such defendants in violation of the Sherman Antitrust Act and the Clayton Act have been fully dissipated, from:

(a) bringing, maintaining, or taking any action in pursuance of any suit or suits for infringement of any patent or patents now owned or controlled by any such defendant, or hereafter issued on pending applications now owned or controlled by any such defendant, covering inventions embodied in machinery used in the manufacture of glassware;

(b) attempting to interfere by suit or otherwise with the possession of machinery used in the manufacture of glassware now owned or claimed to be owned by any such defendant and which machinery is in the possession of a licensee or lessee of such defendant except in so far as may be necessary to enforce the terms of any contract of sale entered into pursuant to paragraph 21 of this judgment; and

(c) attempting by suit or otherwise to collect royalties or license fees or profits for the use of inventions covered by patents now issued or hereafter issued on applications now pending embodied in machinery used in the manufacture of glassware licensed or leased by any such defendant."

It enjoins "until * * * the consequences of the conduct of such defendants in violation of the Sherman Antitrust Act and the Clayton Act have been fully dissipated," (a) suits for infringement of patents now owned or hereafter issued on pending applications on inventions in glassware machinery, and (b) collection of royalties, license fees or profits for the use of such inventions licensed by any defendant.

This provision was urged upon the authority of this Court's opinion in the *Morton Salt* case.

(a) Basis of the Morton Salt Doctrine.

The decisions of this Court in the *Morton Salt* case and the companion *B. B. Chemical* case produced a flood of conflicting attempts at their nice rationalization.[1] Whatever difficulty there may be seems not to lie in what the Court decided, but in what it said in the two opinions.

Viewed as a problem of patent law, the *Morton Salt* and *B. B. Chemical* decisions stem directly from the *Motion Picture Patents*,[2] *Carbice*,[3] and *Barber Asphalt*[4] decisions, holding that a patentee's rights are narrowly

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[1]See Wood, Patents and Antitrust Law (1942), pp. 86-95; Waite, *The Validity of Conditions in Patent Licenses* (1942), 41 Mich. L. Rev. 419, 442-4; Note (1942) 51 Yale L. J. 1012; (1942) 42 Col. L. Rev. 882; (1942) 16 Temple Univ. L. Q. 237; (1942) 26 Minn. L. Rev. 756; (1942) 9 Univ. of Chicago L. Rev. 518; (1942) 27 Wash. Univ. L. Q. 592; Henry, *Limitations Inherent in the Grant of Letters Patent*, (1942) 27 Corn. L. Q. 214, 216-217; Bryant, *Some Thoughts Anent Mr. Albert R. Henry's Thesis*, (1942) 27 Corn. L. Q. 534 .

[2]*Motion Picture Patents Company* v. *Universal Film Mfg. Company, et al.*, 243 U. S. 502 (1917).

[3]*Carbice Corporation of America* v. *American Patents Development Corporation et al.*, 283 U. S. 27 (1931).

[4]*Leitch Manufacturing Company* v. *Barber Company*, 302 U. S. 458 (1938).

limited by the claims of his patent and that the courts will deny relief upon a patent to a patentee who attempts to extend the monopoly granted by the claims of the patent by compelling his licensees to employ in the use of the patented invention other articles supplied by the patentee. In the *Motion Picture Patents* case the infringement remedy was denied when the patentee of a projector, by a condition of the license of the projectors, sought to cause the use of the projector with film not supplied by the licensor to constitute an infringement of the projector patent. In the *Carbice* and *Barber Asphalt* cases the infringement remedy was denied to patentees who sought to compel licensees to use materials sold by the licensor in using the patented inventions, by suing other suppliers of such materials as contributory infringers. The denial of the infringement remedy in such cases logically compelled denial of the remedy in both the *Morton Salt* case and the *B. B. Chemical* case, where the proof was clear that the patentees were attempting to extend their patent monopolies beyond the claims of the patented inventions. This was true notwithstanding that the alleged infringement in the *Morton Salt* case was a direct infringement through the sale of an infringing machine, rather than a direct infringement through breach of an invalid condition as in the *Motion Picture Patents* case, or a contributory infringement as in the *Carbice* and *Barber Asphalt* cases.

From the standpoint, therefore, of what this Court *decided* in the *Morton Salt* and *B. B. Chemical* cases, neither case has any relevance to the present situation. Here it is not suggested[1] that a defendant patentee sought to compel

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[1]Except for a single situation discontinued before the entry of the decree, involving Hartford and Lynch, and not involving Owens.

any licensee, whether by express condition, understanding, or method of doing business, to buy any supplies or other machinery from the defendant licensor or otherwise sought to restrict or control any action of the licensee otherwise than in the direct use of the licensed invention within the claims of the licensed patent.

However, the language of the opinions, particularly that in the *Morton Salt* case, has been claimed to have a broader scope and has raised a question as to the extent to which these opinions may be in conflict with earlier decisions of the lower Federal courts involving anti-trust violation defenses to patent infringement suits under the "clean hands" doctrine.[1]

Prior to the *Morton Salt* case, a long line of decisions in the lower Federal courts[2] had established the rule that it was no defense to a patent infringment suit merely that the plaintiff was a participant in a violation of the anti-trust laws.

Those decisions analogized the situation in such a patent suit to that before this Court in *Connolly* v. *Union Sewer*

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[1]*B. B. Chemical Co.* v. *Ellis, et al.*, 117 F. (2d) 829, 836 (C. C. A. 1st, 1941).

[2]*General Electric Co.* v. *Minneapolis Electric Lamp Co.*, 10 F. (2d) 851 (D. Minn., 4th Div., 1924); *Virtue et al.* v. *Creamery Package Mfg. Co. et al.*, 179 Fed. 115 (C. C. A. 8th, 1910), aff'd on other grounds, 227 U. S. 8 (1913); *Motion Picture Patents Co.* v. *Ullman et al.*, 186 Fed. 174 (C. C. S. D. N. Y., 1910); *Motion Picture Patents Co.* v. *Laemmle et al.*, 178 Fed. 104 (C. C. S. D. N. Y., 1910); *General Electric Co.* v. *Wise*, 119 Fed. 922 (C. C. N. D. N. Y., 1903); *Edison Electric Light Co. et al.* v. *Sawyer-Man Electric Co.*, 53 Fed. 592 (C. C. A. 2d, 1892); *Brown Saddle Co.* v. *Troxel*, 98 Fed. 620 (C. C. N. D. Oh., E. D., 1899).

Pipe Company,[1] in which it was held that a voluntary purchaser of goods at stipulated prices under a collateral independent contract cannot avoid payment merely on the ground that the vendor was an illegal combination. Their holdings rested largely upon that limitation of the "clean hands" doctrine so well expressed by this Court in the comparatively recent opinion in *Keystone Driller Co.* v. *General Excavator Co.*[2]

The lower Federal court decisions almost unanimously refused to apply the "clean hands" doctrine to sustain such a defense even when it was asserted that the patent in suit was an inherent part of, or had been used in, the alleged anti-trust violation.[3] They required as conditions precedent

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[1]184 U. S. 540 (1902).

[2]"But courts of equity do not make the quality of suitors the test. They apply the maxim requiring clean hands only where some unconscionable act of one coming for relief has immediate and necessary relation to the equity that he seeks in respect of the matter in litigation. They do not close their doors because of plaintiff's misconduct, whatever its character, that has no relation to anything involved in the suit, but only for such violations of conscience as in some measure affect the equitable relations between the parties in respect of something brought before the court for adjudication. * * * They apply the maxim, not by way of punishment for extraneous transgressions, but upon considerations that make for the advancement of right and justice." (290 U. S. 240, 245 (1933)).

[3]*Radio Corporation of America* v. *Hygrade Sylvania Corporation,* 10 F. Supp. 879 (D. N. J., 1934); *National Electric Products Corporation* v. *Circle Flexible Conduit Co., Inc.,* 57 F. (2d) 219 (E. D. N. Y., 1931); *Radio Corporation of America et al.* v. *Majestic Distributors, Inc.,* 53 F. (2d) 641 (D. Conn., 1931); *Radio Corporation of America et al.* v. *Duovac Radio Tube Corporation,* 6 F. Supp. 275 (E. D. N. Y., 1931); *Western Electric Co., Inc., et al.* v. *Pacent Reproducer Corporation et al.,* 53 F. (2d) 639 (S. D. N. Y., 1930); *Western Electric Co., Inc., et al.*

to the validity of the defense (a) that the right sued upon must be directly and intimately connected with an illegality which (b) directly affected the defendant individually as contrasted with the general public.

While the foregoing principles with respect to an anti-trust violation plea of "unclean hands" in a patent infringement suit were being developed in the lower Federal courts, there was also being developed, in suits for infringement of trademarks and copyrights, a doctrine which may not be wholly consistent with, or may at least be broader than, that of the patent cases. In these trademark and copyright cases it was held that where misrepresentation or fraud upon the general public inhered in the right upon which an infringement suit was brought, the defense was valid under the "clean hands" doctrine notwithstanding that the defendant could not establish any particular damage to himself as contrasted with the general public. This doctrine was declared in respect of trademarks by this Court in *Manhattan Medicine*

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v. *Wallerstein*, 48 F. (2d) 268 (W. D. N. Y., 1930); *Motion Picture Patents Co.* v. *Eclair Film Co.*, 208 Fed. 416 (D. N. J., 1913); *United States Fire Escape Counterbalance Co.* v. *Joseph Halsted Co.*, 195 Fed. 295 (N. D. Ill., E. D., 1912); *Cimiotti Unhairing Co.* v. *American Fur Refining Co.*, 120 Fed. 672 (C. C. D. N. J., 1903); *Otis Elevator Co.* v. *Geiger et al.*, 107 Fed. 131 (C. C. D. Ky., 1901); *National Folding-Box & Paper Co.* v. *Robertson et al.*, 99 Fed. 985 (C. C. D. Conn., 1900); *Columbia Wire Co.* v. *Freeman Wire Co. et al.*, 71 Fed. 302 (C. C. E. D. Mo., E. D., 1895); *Bonsack Mach. Co. et al.* v. *Smith et al.*, 70 Fed. 383 (C. C. W. D. N. C., 1895); *American Soda-Fountain Co.* v. *Green et al.*, 69 Fed. 333 (C. C. E. D. Pa., 1895); *Strait et al.* v. *National Harrow Co.*, 51 Fed. 819 (C. C. N. D. N. Y., 1892). Contra: *General Electric Co.* v. *Hygrade Sylvania Corporation*, 45 F. Supp. 714 (S. D. N. Y., 1942); *National Harrow Co.* v. *Quick et al.*, 67 Fed. 130 (C. C. D. Ind., 1895).

Company v. *Wood & Another*[1] and *Worden* v. *California Fig Syrup Co.*[2] and was applied in respect of copyrights in *Edward Thompson Co.* v. *American Law Book Co.*[3] and *Stone & McCarrick, Inc.* v. *Dugan Piano Co. et al.*[4] These four decisions were cited by this Court in its *Morton Salt* opinion.[5]

The citation in the *Morton Salt* opinion of these trademark and copyright decisions indicated no more than that this Court believed that their "clean hands" doctrine was applicable to a patent infringement suit, and that, upon the facts before the Court, it was not necessary to the "unclean hands" defense that the defendant establish specific damage to himself beyond the damage to the general public.

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[1]108 U. S. 218 (1883).

[2]187 U. S. 516 (1903).

[3]122 Fed. 922, 926 (C. C. A. 2d, 1903).

[4]220 Fed. 837, 841-3 (C. C. A. 5th, 1915).

[5]It is not at all clear that these decisions were in fact inconsistent with the patent cases above discussed. In these trademark and copyright cases the misrepresentation or fraud inhered directly in the trademark or copyright sued upon, just as in *Keystone Driller Co.* v. *General Excavator Co., supra,* there was fraud in the procurement of the patent itself. The doctrine of the patent cases that an allegation of anti-trust law violation by the plaintiff is not, standing alone, a good defense to an infringement suit under the "clean hands" doctrine has been applied in trademark and copyright cases. *Radio Corporation of America* v. *Hygrade Sylvania Corporation,* 10 F. Supp. 879, 881 (D. N. J., 1934); *Independent Baking Powder Company* v. *Boorman,* 130 Fed. 726 (C. C. D. N. J. 1904); *Northwestern Consol. Milling Co.* v. *William Callam & Son,* 177 Fed. 786 (C. C. E. D. Mich. N. D., 1910); *Weyman-Bruton Co.* v. *Old Indian Snuff Mills,* 197 Fed. 1015 (S. D. N. Y., 1912); *Coca Cola Co.* v. *Gay-Ola Co.,* 200 Fed. 720 (C. C. A. 6th, 1912); *Harms et al.* v. *Cohen,* 279 Fed. 276 (E. D. Pa., 1922); see also *Doctor Miles Medical Co.* v. *Platt,* 142 Fed. 606 (C. C. N. D. Ill. E. D., 1906).

It would therefore seem that however the *Morton Salt* opinion be rationalized it established no revolutionary principle of law but at most indicated a new application of principles previously declared by this Court.

It is submitted that the rule declared is that the misuse of a patent by the patentee in attempting to extend the patent monopoly to matters beyond the scope of the patent, as a matter of public policy, (a) disqualifies the *misused patent* as a basis of an action for infringement, direct or contributory, (b) *so long as the misuse continues* and (c) when the *effect of a favorable decree would be to assist that misuse.*

The important thing to note in determining the impact of the *Morton Salt* case upon the problem of the present case and the present decree is that the *Morton Salt* decision was rested, not upon any general "propensity to violate the law" on the part of the plaintiff patentee, but upon the *misuse of the specific patent sued upon* existing at the time of the suit.

This is evident from numerous expressions of the opinion:[1]

> "* * * courts, and especially courts of equity, may appropriately withhold their aid where the plaintiff is *using the right asserted contrary to the public interest.* * * *
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> * * * * * * *
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> *"Where the patent is used as a means of restraining competition* with the patentee's sale of an unpatented product * * *, *an infringement suit* * * * *is a powerful aid to the maintenance of the attempted*

[1]314 U. S. 488, 492-3. Italics ours.

> *monopoly* * * * and is thus *a contributing factor in thwarting the public policy* underlying the grant of the patent. * * * Equity may rightly withhold its assistance *from such a use of the patent* by declining to entertain a suit for infringement * * *."

And citing the copyright and trademark decisions above referred to:[1]

> "The patentee, like these other holders of an exclusive privilege granted in the furtherance of a public policy, may not claim protection of his grant by the courts *where it is being used to subvert that policy.*"

The doctrine of the *Morton Salt* case is thus limited (a) in its application to those patents whose misuse constitutes a violation of public policy and (b) in point of time to the period of such use or at most until the effects of such use have been dissipated. Both the facts of the case and the language of this Court's opinion seem to indicate that the doctrine is also limited (c) to a situation in which the patentee's suit is itself in aid of the misuse.

This last limitation (c) is entirely disregarded by Paragraph 26 of the decree in the present case and no feasible modification could bring such a general injunction as Paragraph 26 into conformity with that limitation. Even if the *Morton Salt* doctrine is applicable to the misuse of a patent as an instrument in accomplishing an anti-trust law violation, the inquiry in each suit upon the patent, in this view of the *Morton Salt* doctrine, would be whether the suit was itself "a contributing factor" or "a powerful aid" in the mis-

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[1]314 U. S. 488, 494. Italics ours.

use. That issue would obviously depend upon the facts of each infringement suit brought upon the misused patent. For example, assuming that under the *Morton Salt* doctrine it would be a valid defense to a suit for infringing a patent upon radio tubes in the manufacture of radio receiving sets that the patentee was using the patent to monopolize or restrain trade in such sets, nevertheless the *Morton Salt* doctrine would not sustain such a defense to a suit upon the same patent against infringers using the tubes in elevator control apparatus, assuming no misuse of the patent in that field.

If, as is believed to be the fact, this is a correct analysis of the rule of the *Morton Salt* case, then it affords no justification at all for the inclusion in an anti-trust decree of a general injunction along the lines of Paragraph 26, and Paragraph 26 should be deleted. However, even if some such injunction be appropriate, that of Paragraph 26 requires modification to bring it within proper limitations as to both (a) the duration of the injunction and (b) the patents to which it applies.

(b) The Time Limitation Under Paragraph 26.

Paragraph 26 purports to recognize the time limitation declared in the *Morton Salt* case, *i.e.*, that the period of the patentee's disqualification to sue upon his patent continues only "until it is made to appear that the improper practice has been abandoned and that the consequences of the misuse of the patent have been dissipated."[1]

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[1]314 U. S. 488, 493.

Whether Paragraph 26 does in fact contain such a time limitation is ambiguous. The injunction is against substantially all of the *defendants*. The petition provided to be filed with a view to terminating the injunction is to be "filed by such *defendants*." The order required as a condition precedent to such termination is "that the consequences of the conduct of such *defendants* * * * have been fully dissipated." The decree deals with a number of alleged violations of the anti-trust laws, independent of each other, in several of which Owens is not charged to have participated. For example, Corning and Hartford are found by Paragraph 5 to have violated the Sherman Act with respect to certain types of glassware, with no charge of Owens's participation, and Paragraph 48 deals with an alleged violation of the Clayton Act by Hartford and Lynch, again with no charge of Owens's participation.

Is the time limitation expressed in Paragraph 26 intended to mean that, however clear may be the abandonment of the alleged improper practices by *one* of the defendants and the dissipation of the effects of *its* participation, the disqualification of *its* patents persists so long as the effects of *any other* defendant's improper practices have not been dissipated? If so, the provision goes far beyond the doctrine of the *Morton Salt* case and imposes upon one defendant punishment for the sins of others.

Assuming some injunction along the lines of Paragraph 26 to be appropriate, this ambiguity must be removed and the time limitation made consistent with the *Morton Salt* doctrine by permitting Owens to terminate the restraint as to it by showing that whatever improper practices it may have been guilty of have been abandoned and that their consequences have been dissipated.

(c) Suspension by Paragraph 26 of Patents Not Used in the Alleged Illegalities.

Paragraph 26 makes no pretense of recognizing the limitation of the *Morton Salt* doctrine to patents used in the alleged illegal conduct.

As to the Owens Defendants it applies to patents which were not alleged or shown to have been contributing factors to the alleged violations. It applies to patents which never could have been such contributing factors.

Particularly it extends the disqualification to the personal patents owned by individual Owens Defendants.

Its disqualification extends also to patents which, while heretofore used in the business of Owens, have been used entirely outside the field of the glassware industry to which the alleged violations of the Owens Defendants relate, viz., outside the fields of feeders, formers and suction machines. Particularly it applies to lehrs, conveyors and stackers, as to which Owens has never had any illegal relationship with Hartford or any other of the defendants.[1]

The disqualification extends also to patents of the Owens Defendants issued upon applications filed subsequently to the 1935 agreements which withdrew Owens from any possible antecedent illegal relationship.[2] Such post-1935 patents cannot have been tainted with the alleged anti-trust law violation even if it be held that Owens's pre-1935 patents were so tainted.

The disqualification extends also to patents, whether owned by the individual Owens Defendants or by Owens itself, issued in the future upon now pending applications. These patents may not issue for years. Most of them have

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[1]See Appendix A, pp. i-xviii, *infra*.
[2]See Point I, pp. 20-43, *supra*.

never been used commercially, and many of them will require substantial further experimentation to bring them to commercial value.

If Paragraph 26 is to be retained at all, it must be modified, as to the Owens Defendants, by limiting it to pre-1935 patents of Owens itself in the fields of feeders, formers and suction machines.

(d) Legislative History affecting Paragraph 26.

This Court said in *Continental Paper Bag Company* v. *Eastern Paper Bag Company*:[1]

> "The source of the [patentee's] rights is, of course, the law, and we are admonished at the outset that we must look for the policy of a statute, not in matters outside of it—not to circumstances of expediency and to supposed purposes not expressed by the words. The patent law is the execution of a policy having its first expression in the Constitution, and it may be supposed that all that was deemed necessary to accomplish and safeguard it must have been studied and provided for."

This Court also said, in relation to an attempted extension of a patent monopoly to fields outside the scope of the patent, in *Boston Store of Chicago* v. *American Graphophone Company et al.*:[2]

> "* * * nothing in the decided cases to which we have referred, having regard either to the application of the general law or of the patent law, deprives an inventor of any right coming within the patent monopoly, since the cases alone concerned whether the

[1] 210 U. S. 405, 423 (1908).
[2] 246 U. S. 8, 26 (1918).

> monopoly of the patent law can be extended beyond the scope of that law or, in other words, applied to articles after they have gone beyond its reach. The proposition so earnestly insisted upon, that, while this may be true, it does not fairly consider the reflex detriment to come to the rights of property of the inventor within the patent law as a result of not recognizing the right to continue to apply the patent law as to objects which have passed beyond its scope, is obviously not one susceptible of judicial cognizance. This must be, since whether, for the preservation of the rights which are within a law, its provisions should be extended to embrace things which it does not include, typically illustrates that which is exclusive of judicial power and within the scope of legislative action."

If it lies "within the scope of legislative action" and "exclusive of judicial power" to extend a patentee's rights beyond the scope of his patent, similarly it lies within the legislative discretion, and not that of the judiciary, to reduce a patentee's rights to less than the scope of his patent when the specific patent is not being misused under rules of public policy. As Mr. Justice Frankfurter suggested in his recent dissenting opinion in *Marconi Wireless Telegraph Co. of America* v. *United States*,[1] it is not the function of this Court to rewrite the patent laws:

> " * * * whatever revamping our patent laws may need, it is the business of Congress to do the revamping. We have neither constitutional authority nor scientific competence for the task."

Congress has several times rejected the proposal, now embodied in Paragraph 26, that a patentee engaged in *any*

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[1]——U. S. ——, 63 Sup. Ct. 1393, 1422 (1943).

violation of the anti-trust laws shall thereby lose *all* his patent rights so long as the violation continues.[1]

4. Paragraph 24: Its Confiscation of the Inventions of the Owens Defendants Through Compulsory Licensing.

The relevant portion of Paragraph 24 is set forth in the margin.[2]

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[1]S. 2783, 70th Cong., 1st Sess. (1928), Dill amendment, (Cong. Rec., p. 8382); *cf.* S. 3381, 71st Cong., 2nd Sess. (1930); S. 4442, 71st Cong., 2nd Sess. (1930); Sen. Rep't No. 757 (Cong. Rec., p. 11583); H. R. 13157, 71st Cong., 2nd Sess. (1930); S. 1866, 72nd Cong., 1st Sess. (1931); S. 341, 73rd Cong., 1st Sess. (1933).

[2]"24. The defendant * * * Owens-Illinois Glass Company and the individual defendants associated therewith * * * each be and hereby is enjoined from engaging in the distribution of machinery used in the manufacture of glassware or in the distribution of glassware in interstate commerce unless he or it shall, by instrument filed with the Clerk of this Court within thirty (30) days from the effective date of this decree:

> (a) agree to license without royalty or charge of any kind and for the life of the patents any applicant to make, to have made for it and to use any number of machines and methods used in the manufacture of glassware and embodying inventions covered by any patents or patent applications now owned or controlled by each of such defendants;
>
> (b) agree to license, at a reasonable royalty, any applicant to make, have made for it, and to use any number of machines and methods used in the manufacture of glassware and embodying inventions covered by any patents granted on patent applications filed subsequent to the date of this judgment, and then owned or controlled by each of such defendants; and
>
> (c) agree to make available to any licensee under subparagraphs (a) and (b) of this paragraph, a copy (at a cost not to exceed the cost of preparing the copy plus a reasonable profit) of any and all drawings and patterns owned or controlled by the respective defendant relating to the machinery or methods used in the manufacture of

(a) Overlapping of Paragraphs 24 and 26.

Paragraph 24 perpetually enjoins all the Owens Defendants, individual as well as corporate, from engaging in interstate commerce unless they affirmatively agree to confiscation of all their inventions, *present and future,* relating to glassware machinery and methods, without compensation as to all inventions as to which any patent application had been filed at the date of the decree, and for royalties to be fixed by the District Court as to future inventions.

It is obvious that, if the compulsory licensing provisions of Paragraph 24 are permitted to stand, Paragraph 26(a) and (c), already discussed, are sheer surplusage. Owens obviously could not bring an action either for infringement of, or for royalties under, patents under which it was compelled by the provisions of Paragraph 24(a) to grant a royalty-free license. The incorporation of the two overlapping paragraphs appears to be explicable only upon the theory that they were presented by the Department of Justice as alternative provisions without expectation of acceptance by the District Court of the broader provisions of Paragraph 24.

(b) Property Right in a Patent.

The right of a patentee to make, use and vend his inventions is not a franchise granted by Congress. Those

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glassware embodying licensed inventions but this subparagraph shall not apply to Lynch type forming machines for the production of narrow neck glass containers.

"If any dispute arises between any applicant for a license or licensee and any defendant under paragraphs (a), (b) or (c) of this paragraph 24, such dispute shall be determined by this Court on petition by either such applicant or licensee or the defendant involved, on thirty (30) days' notice to the other party to the dispute and to the Attorney General of the United States."

rights are rights of property at common law. The only thing granted by the patent is the right to exclude others from making, using and vending.[1] That right of exclusion is itself a property right.

More than half a century ago this Court recognized[2]

> "That the government of the United States when it grants letters-patent for a new invention or discovery in the arts, confers upon the patentee an exclusive property in the patented invention which cannot be appropriated or used by the government itself, without just compensation, any more than it can appropriate or use without compensation land which has been patented to a private purchaser * * *."

This property right in a patent has been repeatedly affirmed[3] and never questioned by this Court.

(c) CONFISCATION OF PRESENT INVENTIONS.

(i) *Confiscation of Inventions not Involved in the Alleged Anti-Trust Violations.*

Can there be the slightest doubt that the provision of subparagraph (a) of Paragraph 24 which requires all the

[1] *Crown Die & Tool Company* v. *Nye Tool & Machine Works*, 261 U. S. 24, 34-6 (1923); *Motion Picture Patents Company* v. *Universal Film Manufacturing Company et al.*, 243 U. S. 502, 510 (1917); *Bauer & Cie* v. *O'Donnell*, 229 U. S. 1, 10 (1913); *Continental Paper Bag Company* v. *Eastern Paper Bag Company*, 210 U. S. 405, 424 (1908); *United States* v. *American Bell Telephone Company*, 167 U. S. 224, 239 (1897); *Patterson* v. *Kentucky*, 97 U. S. 501, 506 (1878); *Bloomer* v. *McQuewan et al.*, 14 How. 539, 548 (1852).

[2] *James* v. *Campbell*, 104 U. S. 356, 357-8 (1881).

[3] *United States* v. *Dubilier Condenser Corp.*, 289 U. S. 178, 189 (1933); *William Cramp & Sons Ship & Engine Building Company* v. *International Curtis Marine Turbine Company et al.*, 246 U. S. 28, 39-40 (1918); *Solomons* v. *United States*, 137 U. S. 342, 346 (1890); *Hollister* v. *Benedict & Burnham Manufacturing Company*, 113 U. S. 59, 67 (1885).

Owens Defendants, individual as well as corporate, to license their present inventions in the glassware field, whether or not patents have yet issued upon them, royalty-free for the duration of the patents, constitutes a taking of property for private purposes? The vice is only aggravated by the fact that the taking is also without compensation.

This confiscation goes to inventions never tainted by any contribution to any violation of the anti-trust laws, even if Owens itself has in the past committed such a violation, viz., (1) all the inventions of the individual Owens Defendants; (2) Owens's inventions outside the fields of feeders, formers and suction machines, such as lehrs, stackers and conveyors; and (3) Owens's patents issued since October 1, 1935, in whatever field.

(ii) *Confiscation after Effects of Violation have been Fully Dissipated.*

The alleged violations of the anti-trust laws by the Owens Defendants were abandoned in 1935. Indeed, if that be disputed, it cannot be disputed that they will necessarily be abandoned at the entry of this decree. Under a proper decree, any effects of the violations will speedily be dissipated. Yet the confiscation of present inventions under Paragraph 24 will continue, as to pending applications for patents, for more than 17 years. In the case of the individual Owens Defendants, that may be beyond their natural lives.

Such a confiscation of property rights is not appropriate to restrain or prevent the alleged violations of the anti-trust laws any more than would be a decree directing that all of Owens's factories be seized and made

available to anyone desiring to employ them in the manufacture of glassware. Of course the confiscation of all of Owens's present inventions would prevent their use in unlawful competition, just as would such seizure of its factories; but such confiscation of either patents or factories would equally impair the ability of Owens to engage in lawful competition.

No support for such a continuing confiscation of present inventions can be found in any interpretation of the *Morton Salt* case, despite the emphasis by the Department of Justice, in the District Court, upon the words "at least until it is made to appear that the improper practice has been abandoned and that the consequences of the misuse of the patent have been dissipated,"[1] and upon the statement in the *B. B. Chemical* case "It will be appropriate to consider petitioner's right to relief when it is able to show that it has fully abandoned its present method of restraining competition in the sale of unpatented articles and that the consequences of that practice have been fully dissipated."[2]

The Circuit Court of Appeals for the Seventh Circuit in *American Lecithin Co.* v. *Warfield Co.*,[3] anticipated the *Morton Salt* case by denying relief for direct infringement

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[1]314 U. S. 488, 493.

[2]314 U. S. 495, 498. It is obvious that all this Court meant in this quotation was that, the defense of misuse having been sustained by the District Court and the Circuit Court of Appeals and the question of infringement of the patent not having been determined, it would be appropriate to proceed with a trial on the merits of the issue of infringement to determine whether the petitioner was entitled to relief when it was able to show that the consequences of its misuse of the patent had been dissipated and the equitable defense no longer available.

[3]105 F. (2d) 207, 211 (C. C. A. 7th, 1939), cert. denied, 308 U. S. 609 (1939).

of a misused patent. Nevertheless the Court recognized that "if the patent is valid, the defendant cannot urge that this patent monopoly be taken from him * * *. At the most, the defendant here can only urge that the courts refuse aid to a patentee who tries by virtue of his patent to extend his control over unpatented commodities." It held that "the defendant's theory is * * * unsound" in arguing "that the plaintiff's monopolizing misconduct should work an affirmative penalty upon plaintiff such as a forfeiture of the patent or an implied license for the statutory period."[1]

The Fifth Circuit reached the same result in *Novadel-Agene Corporation* v. *Penn et al.*,[2] in which the court said:

> "Improper use does not invalidate a patent, but the courts will not assist an offending patent owner against persons who infringe the patent while such improper practices continue. Improper use does not vest an infringer with a license for the life of the

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[1]In two earlier cases, *Radio Corporation of America* v. *Hygrade Sylvania Corporation*, 10 F. Supp. 879 (D. N. J., 1934), and *F. A. D. Andrea, Inc.* v. *Radio Corporation of America*, 14 F. Supp. 226 (D. Del., 1936), the District Courts of New Jersey and Delaware had overruled the defense of an infringing defendant in an infringement suit "that it has a license implied in law upon reasonable terms under the patents in suit because the plaintiffs have unlawfully restrained interstate commerce and, therefore, that the plaintiffs must hold their patents in trust for the public." (10 F. Supp. 879, 883). In the New Jersey case the Court held, "There is no law that one who restrains trade forfeits one's property to any person who chooses to take it" (10 F. Supp. 879, 883) and in the Delaware case the Court pointed out that the alleged right to an implied license was not a remedy provided for in either the Clayton Act or the Sherman Act, and therefore did not exist.

[2]119 F. (2d) 764, 766-7 (C. C. A. 5th, 1941), cert denied, 314 U. S. 645 (1941).

> patent, for if a patent owner purges himself of the improper business practices he may then enforce his patent and recover damages for infringement occurring thereafter. * * *"

That the disqualification of a patent tainted by its misuse disappears when the misuse has been abandoned and its effects have been dissipated was held both by the Circuit Court of Appeals for the Fifth Circuit in the opinion last cited and by the Circuit Court of Appeals for the Fourth Circuit in *Sylvania Industrial Corporation* v. *Visking Corporation*.[1] In that case the District Court had first applied the doctrine of the *Morton Salt* case to the patentee's suit. Thereupon the plaintiff took steps to meet the criticism of the court and to purge itself of its illegal conduct. Less than three months thereafter "the plaintiff filed supplemental proceedings in which it showed to the satisfaction of the court that it had changed its method of doing business and was no longer attempting to monopolize the sale of unpatented material."[2] Accordingly, the District Court granted the injunction against the alleged infringer. Affirming the action of the District Court, the Circuit Court of Appeals said:[3]

> "While equity should withhold its assistance from the owner of a patent, who uses it to restrain com-

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[1]132 F. (2d) 947 (C. C. A. 4th, 1943), appeal dismissed on motion of petitioner,——U. S. ——, 63 Sup. Ct. 1033 (1943).

[2]132 F. (2d) 947, 956.

[3]132 F. (2d) 947, 958. It is significant, too, that in this case the defendant contended that the plaintiff had not successfully purged the vice because it was refusing to grant licenses under the previously tainted patents. But, said the Circuit Court of Appeals: "Although the restricted licenses have been cancelled, the defendant is still at a disadvantage in the sale of its casings. We find no fault on this account. It is the right of a patentee to with-

petition in the sale of unpatented articles, by declining to entertain a suit for infringement, relief may be afforded when it clearly appears that the improper practice has been fully abandoned and the consequences of the misuse of the patent have been dissipated."[1]

It is submitted that the Seventh and Fifth Circuit Courts of Appeals properly anticipated, and that the Fourth Circuit Court of Appeals properly interpreted, the time limitation which this Court has itself placed upon the doctrine of the *Morton Salt* case.

(iii) *Legislative History Affecting Paragraph 24(a)*

The desire of the Department of Justice to punish the Owens Defendants for their alleged "evil propensity" is perhaps exceeded by the Department's hostility to the American patent system. In this decree it has sought to procure from the courts, in effect, an amendment of the

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hold licenses if he sees fit to do so and to confine his patented methods to the manufacture of his own goods. * * * Any advantage accruing from this practice is not unlawful, but is attributable to the monopoly conferred by the patent statute." (132 F. (2d) 947, 958). Compare this language with the Department of Justice's argument that because, since 1935, Owens "has granted no licenses" and has "declined to sell or lease glass making machinery" (FF 477 (R. 7373)), the 1935 agreements failed to purge the prior alleged illegal use of the Owens patents. See pp. 44-9, *supra.*

[1]Cf. *Universal Sewer Pipe Corporation et al.* v. *General Construction Co. et al.*, 42 F. Supp. 132 (N. D. Oh., E. D., 1941), in which the court granted an injunction against infringement notwithstanding misuse of the patent because, *during the trial,* counsel for the plaintiffs announced that they had changed their method of doing business and had declared their "intention to confine their operations strictly within the limits of their patent grant."

patent laws which it knew the courts were powerless to give but which it had been unable to procure from Congress.

Judge Thurman Arnold, then Assistant Attorney General in charge of anti-trust matters, on April 23, 1942, at a hearing before the Senate Committee on Patents, described provisions of consent decrees into which numerous corporations had been coerced under threat of anti-trust prosecution interruptive of their war effort, and which provided for royalty-free licenses under existing patents for the lives of the patents. In that testimony he recognized that such provisions could not be forced by the courts upon defendants who had the courage to stand against the excesses of the Department, even though they might be defeated in the litigation. Said he:

> "Nevertheless, despite the principles of patent law which the defendants have recognized, we believe that we need further legislation. * * *
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> "We believe that a greater hazard should be put upon the abuse of the patent privilege for cartel purposes than can be found in the *Morton Salt* case. We recommend, in the light of this decree, legislation giving the Government a right to cancel any patent which has been used as an instrument to create a domestic or international cartel."[1]

Compulsory licensing of a patent, royalty-free for its duration, is tantamount to cancelation of the patent.

Legislation imposing such a penalty for violation of the anti-trust laws was recommended by the Temporary Na-

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[1]Hearings before the Committee on Patents, United States Senate, (Bone Committee), Seventy-seventh Congress, Second Session, Part 2, Testimony of Thurman Arnold, Assistant Attorney General on April 23, 1942, page 948.

tional Economic Committee upon the urging of the Department of Justice.[1] Congress did not adopt that recommendation.

The proposal was made before Congress as early as 1908, has often been repeated, and has always been denied by Congress.[2]

Is this Court now to legislate a broad penalty of patent forfeiture for violation of the anti-trust laws despite the long continued refusal of Congress to amend either the patent laws or the anti-trust laws to provide for such a penalty?

(d) Violation of Property Rights in Future Inventions.

Under the provisions of subparagraph (b) of Paragraph 24 all future inventions relating to glassware machinery and methods, of all the Owens Defendants, individual as well as corporate, are perpetually open to be taken by anyone who wants them, subject only to the condition of payment of a royalty fixed by the District Court as reasonable.

The inventions to be affected are as yet unconceived and may not be conceived until decades hence. They cannot

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[1]Final Report and Recommendations of the Temporary National Economic Committee, Sen. Doc. No. 35, pp. 36-7 (1941), Seventy-seventh Congress, 1st Session; see also Preliminary Report, Sen. Doc. No. 95, pp. 16-7 (1939), Seventy-sixth Congress, 1st Session.

[2]H. R. 20388, 60th Cong., 1st Sess. (1908); H. R. 11796, 61st Cong., 1st Sess. (1909); H. R. 2930, 62nd Cong., 1st Sess. (1911); H. R. 16828, 62nd Cong., 2nd Sess. (1912); H. R. 23417, as amended, 62nd Cong., 2nd Sess. (1912); H. R. 1700, 63rd Cong., 1st Sess. (1913); H. R. 14865, 63rd Cong., 2nd Sess. (1914); S. 2783, 70th Cong., 2nd Sess. (1928).

have played any part in the alleged violations of the anti-trust laws.

(i) *The Patentee's Right of Absolute Exclusivity.*

The confiscatory nature of subparagraph (b) is not avoided either (1) by the fact that the license compelled to be granted is merely a license to make, to have made and to use machines or methods, and is not expressed to include the right to vend, or (2) by the fact that the licensee is required to pay some compensation for the license.

The very essence, indeed the sole grant, of a United States patent is the right wholly to exclude others from making or using, as well as from vending, the patentee's invention for the duration of the patent.[1] This is the patentee's reward for disclosing his invention and making it generally available after the expiration of the patent.[2]

While the license required by subparagraph (b) does not expressly include the right to sell, it does include the right to make or to have made.[3] This confers upon every manufacturer of machinery the right to sell machinery covered by the defendants' patents, royalty-free, to every prospective user, since every such user will be licensed to have machinery made for it. The compulsory license therefore in ultimate substance nullifies the grant of the patent.

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[1]See cases cited in ftn. 1, p. 140, *supra*.

[2]See language of Chief Justice Marshall in *Grant* v. *Raymond*, 6 Peters 217, 241-2 (1832).

[3]This very limitation of the required license may be violative of Paragraph 29(a) of the decree. Clearly if a defendant granted to anyone a license including the right to vend, Paragraph 29(f) would thereafter prevent the grant to any future licensee of the lesser license contemplated by Paragraph 24.

Under the American patent law the patentee has an unqualified and arbitrary right of complete exclusion.[1]

Whether Congress has the constitutional power to change the substance of a patent by qualifying the absolute exclusivity of a patentee's rights and providing a general statutory scheme of compulsory licensing is not a question involved in this case. So long as Congress retains in the patent grant the absolute right of exclusivity, the courts lack constitutional power to appropriate any part of that right for the benefit of private parties, particularly the patentee's competitors, even upon the payment of compensation. A grant of compensation does not justify the taking of private property for wholly private purposes.[2]

(*ii*) *Perpetual Federal Court Administration of the Licensing Business.*

Paragraph 24 contemplates that the Federal District Court at Toledo will in perpetuity administer the licensing business of all the defendants, with the participation of the Department of Justice.

All the hundreds or even thousands of present and future patents of the eight corporate and the 61 individual defendants covering machines and methods used in the manufacture of glassware will be involved. Every

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[1] *Continental Paper Bag Company* v. *Eastern Paper Bag Company*, 210 U. S. 405, 429 (1908); *Bement* v. *National Harrow Company*, 186 U. S. 70, 88, 90 (1902); *American Lecithin Co.* v. *Warfield Co.*, 105 F. (2d) 207, 212 (C. C. A. 7th, 1939), cert. denied, 308 U. S. 609 (1939); *Radio Corporation of America* v. *Hygrade Sylvania Corporation*, 10 F. Supp. 879, 882-3 (D. N. J., 1934); Francis M. Shea, *Current Patent Problems*, American Bar Association Advance Program (1943) 97, 98.

[2] *Cole* v. *La Grange*, 113 U. S. 1 (1885); *Missouri Pacific Railway Company* v. *Nebraska*, 164 U. S. 403 (1896); see also *Dohany* v. *Rogers*, 281 U. S. 362 (1930).

applicant for a license, and every licensor, will be entitled to a judicial determination of the elusive question of a fair royalty under the particular patent proposed to be licensed. That determination will in each case be a complex matter requiring a full trial involving all the intricate issues which arise in assessing damages in an infringement suit where the patentee does not have an established licensing system with uniform royalties. The validity of the patent or group of patents to be licensed, the degree of commercial acceptance of the invention which can reasonably be anticipated, the worth of the invention measured against an examination of the prior art, the utility of the invention to the prospective licensee in the light of the extent to and manner in which it will be used in the particular business of the licensee, the prospective profits to be derived by the licensee from the use of the invention, and all the various other subtle factors will have to be weighed at length by the court.[1] In many cases determination of the royalty will have to be made before the worth of the patent has been commercially demonstrated. Royalties will doubtless be fixed for early licensees, which will be demonstrably unfair to the patentee in the light of subsequent commercial adaptation of the invention. Yet Paragraph 29 of this decree (hereinafter discussed) prevents charging the later licensee a different royalty from that charged the earlier licensee.

The nature of the proceedings contemplated by Paragraph 24(b) is far from clear, although the effect is to constitute the District Court the perpetual licensing agent of all the corporate and individual defendants. Presumably, since the District Court reserves to itself in perpetuity

[1]See 3 Walker on Patents, Deller's Edition (1937), §§ 833, 846-863.

jurisdiction over all the defendants' licenses, the proceedings will be supplementary to the present suit, but the form which the complex and protracted litigation required to determine reasonableness of royalties will take and whether appeals from decrees entered in such proceedings will lie only to this Court[1] are questions which do not now appear capable of determination.

The administrative machinery for any system of compulsory patent licensing must be carefully worked out in any legislation which may adopt such a national patent policy. The Owens Defendants object to being made the subject of an experimental attempt to work out such an administration in the courts.

Paragraph 24 would both throw upon the District Court a burden for which it is not qualified and subject all the defendants in perpetuity to interference with their private businesses, which would be a clear abuse of the court's discretion.[2]

(iii) *Legislative History Affecting Paragraph 24(b).*

Many other countries—England, for example—have a different patent policy from that of the United States. The circumstances under which an English patentee may be re-

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[1]15 U. S. C. § 29; *United States* v. *California Cooperative Canneries*, 279 U. S. 553, 558-9 (1928); *Missouri-Kansas Pipe Line Co.* v. *United States et al.*, 108 F. (2d) 614 (C. C. A. 3rd, 1939).

[2]It is the duty of the courts "so to shape their decrees as to bring about the result desired by Congress with the least possible waste of anybody's time or of anybody's money." *United States* v. *American Can Company et al.*, 234 Fed. 1019, 1020 (D. Md., 1916), appeal dismissed on motion of appellant, 256 U. S. 706 (1921).

quired to grant licenses are so broad that in substance his patent right is merely to derive reasonable compensation from those who use his invention.[1]

Whether the English practice or the American practice is the wiser is a question on which there can be fair debate. The Temporary National Economic Committee, under the urging of the Department of Justice, has taken the English view.[2] The National Patent Planning Commission has but recently urged continued adherence to the traditional American view except in the fields of national defense, public health and public safety.[3] Much, therefore, has already been said,[4] and doubtless much more could be said, as to the pros and cons of the two diverse patent policies.

But consideration of the social and economic factors involved in the determination of the question is not for this Court. It is for Congress. Congress has considered those factors many times—and many times it has determined the question, always in favor of adherence to the American policy of a patentee's arbitrary right wholly to exclude others from any use of his inventions.

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[1]Patents and Designs Act, 1907, 7 Edw. 7, c. 29, § 24 (1)-(6).

[2]Final Report and Recommendations of the Temporary National Economic Committee, Senate Doc. No. 35, pp. 36-7 (1941), Seventy-seventh Congress, 1st Session.

[3]Report of National Patent Planning Commission, 1943, House Document No. 239, 78th Congress, 1st Session. Congress has already recognized the needs of the United States by providing for compensation for unlicensed use of an invention by the United States. (Act of June 25, 1910, c. 423, 36 Stat. 851; as amended, 40 Stat. 705; 35 U. S. C. Sec. 68).

[4]See Folk, Patents and Industrial Progress (1942), pp. 257-280.

Proposals for adoption here of compulsory licensing were made in Congress as early as 1877, and have subsequently been often repeated.[1]

All these proposals have been rejected.

Similarly, too, Congress has rejected the proposal that a patentee who has violated the anti-trust laws shall be compelled, as a penalty, to license all his future inventions at reasonable royalties.[2]

Even more clearly than in the case of the confiscation of the present inventions contemplated by Paragraph 24(a), confirmation of the provisions of Paragraph 24(b) for compulsory licensing of future inventions would entail bald legislation by this Court not related to restraining or preventing any violation of the anti-trust laws.

(e) Conclusion.

While the economic considerations which affect determination of a general national policy as to compulsory licensing are for Congress and not for this Court, the economic results of perpetually throwing anti-trust defendants into "a different class than other people" as to compulsory licensing of their inventions may properly be considered by this Court.

Paragraph 24 perpetually puts the Owens Defendants, both as to present inventions and as to future inventions, at a competitive disadvantage not only as to all their competitors in the glassware industry, except the other defend-

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[1]H. R. 8776, 62nd Cong., 1st Sess. (1911); S. 2116, 62nd Cong., 1st Sess. (1911); H. R. 26185, 62nd Cong., 2nd Sess. (1912); S. 2303, 77th Cong., 2nd Sess. (1942); S. 2730, 77th Cong., 2nd Sess. (1942); H. R. 1371, 78th Cong., 1st Sess. (1943); *Cf.* S. 300, 45th Cong., 1st Sess. (1877).

[2]S. 2783, 70th Cong., 2nd Sess. (1928).

ants, but also as to anyone else who may take a notion to manufacture glassware, as, for example, chain stores or the present manufacturers of metal and paper containers. If Owens obtains a basic patent upon a glassware machine and one of its competitors, *e.g.*, the dismissed defendant Anchor-Hocking, develops an improvement patent, or if the competitor has a basic patent and Owens develops an improvement patent, the competitor, in either case, may use the efficient machine involving both the basic and the improving patent, but Owens can be excluded from such use by its competitor.

This hinders rather than encourages lawful competition by the defendants. It defeats the very purpose of a decree under Section 4 of the Sherman Act,—lawful competition among *all* members of an industry.

Paragraph 24 must therefore be deleted.

5. Paragraph 29: Its Outlawry in Gross of Substantially Every Grant of Patent Rights Except Unrestricted Non-Exclusive Licenses.

(a) Summary of Paragraphs 29 and 30.

The relevant part of Paragraph 29 is set forth in the margin, as is also the relevant part of Paragraph 30, which must be considered in connection with Paragraph 29.[1]

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[1] "29. The defendants, * * * and each of them, be and hereby is enjoined from inserting or enforcing or requiring any other party to agree to any provision in any agreement heretofore or hereafter entered into by him or it which

(a) directly or indirectly limits or restricts

(1) the type or kind of product (whether glassware as defined in subparagraph 1 (C) of this judgment or any other product whatsoever) which can be produced with or upon machines or equipment or processes embodying inventions licensed under patents or patent applications

The substantive effect of Paragraph 29 is perpetually to prohibit all the Owens Defendants, individual as well as

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owned or controlled by him or it, (2) the use of such product so produced, (3) the character, weight, color, capacity, or composition of the product so produced, (4) the quantity thereof so produced, (5) the market (either as to territory, customers, or class of customers) to or in which the same may be sold or distributed, (6) the price or terms of sale or other disposition of such products, or (7) the use of any machinery or equipment distributed, or patented inventions licensed, by him or it, to use in connection with any other machinery or equipment distributed, or inventions licensed, by him or it, or to use in any specified plant or locality; or

(b) gives or purports to give a right to terminate any license if any machinery or equipment is not so used; or

(c) which expressly provides that any licensee shall not contest the validity of any patent or patents of such defendant; or

(d) provides that parts and equipment constituting improvements on leased or sold machinery, made by the licensee, shall become the property of the lessor or vendor; or

(e) provides that rights to improvements, including inventions, patent applications and patents covering licensed inventions embodied in machinery or processes or methods made or acquired by the licensee, shall become the exclusive property of the lessor or vendor; or

(f) grants to any licensee, lessee or vendee of any product, machine, or equipment, when such product, machine or equipment embodies inventions covered by patents or patent applications owned or controlled by it or him, a preferential position, whether by means of lower rates of royalty, by different provisions of licensing, leasing, or sale, by exclusive licenses, rebates, discounts, a share in net or gross income or any part thereof, or by any other means.

"30. The defendants, * * * and each of them, their officers, directors, agents and employees be and hereby are enjoined from entering into any agreement with Hartford-Empire Company containing any of the provisions enumerated in paragraph 29 of this judgment."

corporate, from entering into any license or other agreement involving their inventions, in any field of industry, which does more than create a non-exclusive and wholly unrestricted right to use the inventions.

Subparagraphs (a) and (b) forbid, in gross, any limitation of the use of machines or equipment or processes embodying the defendants' inventions, as to (1) type, kind, character, weight, color, capacity or composition of product produced (whether glassware *or any other product whatsoever*), (2) quantity of production, *i.e.*, amount of use of the invention, or (3) place of use.

It will be noted that these limitations or restrictions thus prohibited directly affect only the use of the invention itself, *i.e.*, they do not relate to the use of, or other dealing with, the product resulting from the use of the invention.

However, subparagraphs (a) and (b) also forbid, in gross, any limitation or restriction, with reference to the product of machines or processes embodying defendants' inventions, relating to (1) use of such product, (2) market (either as to territory, customers or class of customers) to which the product may be sold or distributed, or (3) price or terms of sale or other disposition of such product.

Subparagraph (f) prohibits granting "to any licensee, lessee or vendee of any product, machine or equipment * * * a preferential position, whether by means of lower rates of royalty, by different provisions of licensing, leasing or sale, by exclusive licenses * * * or by any other means." Its prohibitions, again in gross, extend beyond agreements as to machines, equipment or processes to agreements as to *any product* embodying defendants' inventions.

Subparagraph (c) of Paragraph 29 forbids, in gross, any provision that a licensee shall not contest the validity of the licensed patent.

Subparagraphs (d) and (e), dealing with improvements upon leased or licensed machinery, prohibit, again in gross, any agreement that parts or equipment added to leased machinery shall become the property of the lessor or that improving inventions embodied by the licensee shall become the exclusive property of the lessor or vendor.

Were the provisions of Paragraph 24, providing for compulsory licensing, to remain in the decree, Paragraph 29 would accomplish little that is not accomplished by Paragraph 24 within the field of the glassware industry. Its only practical effect would be to extend the restraints to machinery, processes and products of industries other than the glassware industry, notwithstanding that only the glassware industry is the subject of the complaint. It will therefore be assumed, in the remainder of this discussion of Paragraph 29, that this Court will entirely delete Paragraph 24 of the decree so that defendant patentees will at least have a choice between granting no licenses at all and granting licenses not violative of the decree.

The prohibitions of Paragraph 29 are not limited to licenses or other agreements under patents (1) used in the alleged violations of the Sherman Act, or (2) now in existence even in the form of applications, or (3) used in the glassware industry. *They extend broadly to every patent, present or future, of the Owens Defendants in every field, whatever may be the nature of the machine, process or product affected by the inventions.*

As among the Owens Defendants, they are not limited to Owens, the defendant alleged to have used its patents unlawfully. They extend to all the individual Owens De-

fendants, even to those whose only connection with the alleged illegalities was their authorization of the 1935 agreements designed to withdraw Owens from any possible antecedent illegalities.

The prohibitions are unlimited in time, not being confined to a period until the alleged anti-trust law violations have been abandoned and their effects fully dissipated.

They are not limited to types of limitations, restrictions or agreements shown by the Record to have been present in the transactions alleged, in the present case, to have violated the anti-trust laws. For example, as the District Court's opinion admits, there is no evidence in the Record of any limitation upon the price or terms of sale by licensees of products of licensed machinery or processes.[1] And, as to the Owens Defendants, there is no evidence in the Record that any of the prohibited provisions are contained in any existing license by or to Owens in the fields dealt with by the decree.

The prohibitions are not limited to joint action among the defendants but apply to the simplest agreement made by one of the individual Owens Defendants in the remote future with relation to a single patent upon some product unrelated to glassware.

They are not limited to a system of similar agreements constituting a device to bring about an unlawful result, whether imposed by the licensor, as in the *Ethyl* case,[2] or as the result of general agreements among the licensees, as in the *Masonite* case[3] or the *Interstate Circuit* case.[4]

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[1] 46 F. Supp. 541, 613; Opinion, p. 143.

[2] *Ethyl Gasoline Corporation* v. *United States*, 309 U. S. 436 (1940).

[3] *United States* v. *Masonite Corporation et al.*, 316 U. S. 265 (1942).

[4] *Interstate Circuit, Inc., et al.* v. *United States*, 306 U. S. 208 (1939).

When the unlimited prohibitions of Paragraph 29 are considered in the light of Paragraph 30, the inference cannot be escaped that the Department of Justice had no expectation, when it submitted the draft containing Paragraph 29 for the District Judge's signature, that it would be able "to get away with" Paragraph 29. Paragraph 30 is limited to enjoining all the defendants other than Hartford "from entering into *any agreement with Hartford* containing any of the provisions enumerated in Paragraph 29." Paragraph 30 is therefore complete surplusage if Paragraph 29 is to be retained.[1]

(b) PARTIAL WAIVERS OF THE PATENT MONOPOLY.

Restrictions and limitations of the character dealt with by subparagraphs (a) and (b) of Paragraph 29 may, of course, be abused, and such abuse may become a violation of the anti-trust laws. Scores of judicial opinions and many learned treatises[2] have been written with respect to such limitations, restrictions and agreements, their interpretation and effect, and the circumstances under which their abuse may make their use illegal.

But in considering the impropriety of Paragraph 29, this Court is not called upon to consider all the circumstances in which an abuse of the prohibited provisions might be enjoined. It is not enough to support Paragraph

[1]The Department of Justice may attempt to support Paragraph 30 as a disestablishment of Hartford's existing system of license agreements on the theory, under the doctrine of the *Ethyl* case, that those agreements are primarily designed to accomplish violations of the anti-trust laws. Even upon any such theory Paragraph 30 requires radical modification. However, as the provision primarily affects Hartford, the Owens Defendants leave its discussion to Hartford.

[2]Wood, Patents and Antitrust Law (1942) pp. 35-95; Folk and Houston, Limitation of the Right to License Patents (1939); Toulmin, Patents and the Public Interest (1939).

29 that this Court may determine that, in some of the licenses of some of the defendants in this case, limitations and restrictions similar to some of those enjoined by Paragraph 29 have been misused. Since the prohibitions are quite beyond the disestablishment of any system of agreements complained of, are in gross, perpetual in time and all comprehensive in subject matter, it is enough to strike down Paragraph 29, to know that, with but one exception,[1] all the various types of prohibited limitations, restrictions and agreements are entirely lawful *per se*.

The validity of a partial waiver by a patentee of his total right of excluding others from the use of his invention has long been unquestioned. As early as 1862, Judge (later Mr. Justice) Grier recognized as valid limitations of a license to use two hat making machines in the City of Newark only for hats manufactured by the licensee and not for manufacturing hat bodies for any other persons or for sale in an unfinished state.[2]

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[1]That one exception is the prohibition by the first clause of subparagraph (a)(7) of any requirement that the patented machinery, equipment or other inventions be used in connection with other machinery, equipment or inventions of the licensor—often a violation of Section 3 of the Clayton Act. (*International Business Machines Corporation et al.* v. *United States,* 298 U. S. 131 (1936); *United Shoe Machinery Corporation et al.* v. *United States,* 258 U. S. 451 (1922)). However, the general injunction of this clause, even though dealing with a contract provision generally unlawful, is within the condemnation of *Swift and Company* v. *United States,* 196 U. S. 375, 396 (1905) and *National Labor Relations Board* v. *Express Publishing Co.,* 312 U. S. 426, 435-6 (1941). Particularly is this true as to the Owens Defendants, since no such violation was found to have been committed by any of them.

[2]*Burr* v. *Duryee et al.,* 4 Fed. Cas. 806, 809 (C. C. D. N. J., 1862), aff'd, 1 Wall. 531 (1864):

"* * * The value of the franchise granted to the patentee depends on the mode in which he may find it most profitable

That the law in this connection still remains the same is indicated by this Court's statement in the recent *Ethyl* case[1] that a patentee "may grant licenses to make, use or vend, restricted in point of space or time, or with any other restriction upon the exercise of the granted privilege" which does not attempt to enlarge the monopoly beyond the patent.

A partial waiver by a patentee of his right of exclusion, *i.e.*, a *pro tanto* relaxation of the statute given monopoly, cannot by any possibility restrain trade or tend to create a monopoly or extend the monopoly of the patent beyond its scope. It gives the partial licensee something to which he would not otherwise have any right; it

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to exercise it. He has a right to divide out his monopoly, 'to make, use, and vend to others to be used,' the thing patented, in the category of its locality, and may thus create any number of exclusive franchises, each bounded by the limits of a city, county, or state, where the patentee himself may be treated as a trespasser, if he interferes. Or he may find it most profitable, as in case of a labor-saving machine, where a cheaper article may engross the whole market, to retain the monopoly wholly under his own control and that of his agents or licensees. A plow or reaping machine has its value, not in the exclusive use, but in the profits from an exclusive right to manufacture and sell the machine to others to be used. The patentee can not have any right to use that machine which he has sold to another to use. But in cases where the mere making and selling the machine to others to use would afford a very small compensation—as those who would purchase would have all the profit of supplying the market with a cheaper article—the patentee has the value of his franchise, not in making the machine, but in its use either wholly by himself or by his special licensees paying him a certain toll, tariff, or annuity, for a license to use a certain number of the machines invented."

[1] *Ethyl Gasoline Corporation* v. *United States*, 309 U. S. 436, 456 (1940); see McCormack, *Restrictive Patent Licenses and Restraint of Trade*, 31 Col. L. Rev. 743, 758-60 (1931).

takes away from him nothing to which he would otherwise have any right. It is a stimulation of trade beneficial to the licensee and to the general public. Thus it was with the Owens grants, in the early part of this century, of licenses to use the Owens automatic bottle making machinery to make defined types of ware which Owens was not itself manufacturing. Those grants created trade by other manufacturers and gave the public the benefit of cheapening processes, neither of which would have existed had Owens retained its entire right of exclusion to itself.

To force a patentee entirely to waive his exclusive rights if he makes any waiver at all would itself restrain trade and tend to monopoly. To deny a patentee the right to restrict a competitor licensee as to the quantity of articles produced by use of a licensed machine or patent would give the patentee the choice between retaining the entire use of the patented invention to himself, thus depriving the public of additional sources of supply, and running the risk of having the competitor over-run his market and thus defeat the sole grant of the patent. An injunction against geographical limitation on the use of the licensed invention would force the patentee to exclude others from using his inventions in parts of the country in which he did not have the capital or the organization to operate, if he would preserve his statutory exclusive right to use the invention within the geographical area in which he was prepared to operate. Similarly, if the patentee's invention were susceptible of use in different fields, denial of the right to grant licenses limited as to the field of use would compel the patentee to withhold his invention from use by others in fields which were not competitive to him and in which he had no interest, if he would preserve his right of exclusivity in his own field.

In brief, a flat injunction against limitations upon licenses granted by the defendants is not in the public interest, for such an injunction would discourage the broadest possible use of inventions and increase, rather than decrease, the "monopolistic aspects" of the patent grant. As the National Planning Commission recently said, "The outlawing of limitations in patent licenses" would not be a beneficial innovation in our patent system.[1]

Repeatedly have the precise limitations and restrictions condemned in gross by Paragraph 29 (a) been sustained.

For example, license restrictions as to "type," "kind," "character, weight, color, capacity or composition" of a product to be manufactured have been sustained in a great variety of cases.[2]

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[1]Report of National Patent Planning Commission, 1943, House Document No. 239, 78th Congress, 1st Session, p. 9.

[2]*Rubber Company* v. *Goodyear,* 9 Wall. 788 (1869) (type, kind and character of finished product to be manufactured by use of patented process and material); *Good Humor Corporation of America* v. *Popsicle Corporation of United States,* 59 F. (2d) 344 (D. Del., 1932) (type, kind, shape and composition of frozen suckers to be produced by patented process); *George Close Co.* v. *Ideal Wrapping Machine Co.,* 29 F. (2d) 533 (C. C. A. 1st, 1928) (size of caramel to be produced with a patented machine); *Cinema Patents Co., Inc.* v. *Columbia Pictures Corp. et al.,* 62 F. (2d) 310 (C. C. A. 9th, 1932) (type of film to be processed with patented machine); *Becton, Dickinson & Co.* v. *Eisele & Co.,* 86 F. (2d) 267 (C. C. A. 6th, 1936), cert. denied, 300 U. S. 667 (1937) (type and kind of product manufactured out of patented alloy); see *Burr* v. *Duryee et al.,* 4 Fed. Cas. 806 (C. C. D. N. J., 1862), aff'd, 1 Wall. 531 (1864) (type); see also cases upholding limitations on patented products: *Bement* v. *National Harrow Company,* 186 U. S. 70 (1902) (type, kind and character); *Pope Manufacturing Co.* v. *Owsley,* 27 Fed. 100 (C. C. N. D. Ill., 1886) (size, composition and character).

So too has the validity of restrictions as to the quantity to be so produced been sustained.[1]

So too limitation of the use or manufacture of the patented invention to a specified place is within the lawful right of the patentee.[2]

Debatable ground may be reached only when the limitation or restriction affects, not the direct use of the patented invention, whether machines, processes or products, but the use of, or dealing with, other products, particularly when themselves not patented, resulting from the use of the patented machines or processes. The basic question, upon which depends the validity of such a limitation, restriction or agreement affecting the product of the patented invention, always is whether the limitation is "reasonably within the reward which the patentee by the grant is entitled to

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[1] *Aspinwall Manuf'g Co.* v. *Gill,* 32 Fed. 697 (C. C. D. N. J., 1887), appeal dismissed, 140 U. S. 669 (1891) (number of patented potato diggers); see *Burr* v. *Duryee et al.,* 4 Fed. Cas. 806 (C. C. D. N. J., 1862), aff'd, 1 Wall. 531 (1864) (number of machines to be used).

[2] The right to impose a territorial limitation in a grant of rights under a patent is expressly declared by Section 4898 of the Revised Statutes (29 Stat. 693; 35 U. S. C. Sec. 47); see *Rubber Company* v. *Goodyear,* 9 Wall. 788 (1869) (use of patented process and material confined to licensee's own establishment); *Burr* v. *Duryee et al.,* 4 Fed. Cas. 806 (C. C. D. N. J., 1862), aff'd, 1 Wall. 531 (1364) (machine to be used in Newark); see also cases recognizing validity of limitation on place of manufacture of patented product: *Adams* v. *Burke,* 17 Wall. 453 (1873); *Keeler* v. *Standard Folding Bed Co.,* 157 U. S. 659 (1895); *Bement* v. *National Harrow Company,* 186 U. S. 70 (1902); *Dorsey Revolving Harvester Rake Co. et al.* v. *Bradley Mfg. Co.,* 7 Fed. Cas. 946 (C. C. N. D. N. Y., 1874); *St. Louis Street Flushing Machine Co. et al.* v. *Sanitary Street Flushing Mach. Co.,* 178 Fed. 923 (C. C. A. 8th, 1910); *Westinghouse Electric & Mfg. Co.* v. *Tri-City Radio Electric Supply Co. et al.,* 23 F. (2d) 628 (C. C. A. 8th, 1927).

secure."[1] When this test is satisfied, limitations upon the use of products, or upon the markets in which, or the prices at which, they may be sold by the licensee of machines or processes, have been upheld both as to patented and as to unpatented products.

For example, restrictions as to "the use of such product so produced" have been enforced.[2]

Similarly, restrictions, limitations or agreements as to "the market * * * [either as to territory, customers, or class of customers] to or in which" products of the licensed machines or processes "may be sold or distributed" are within the patentee's rights under his patent.[3]

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[1] *United States* v. *General Electric Company et al.*, 272 U. S. 476, 489, 490 (1926).

[2] *Libbey Glass Co.* v. *McKee Glass Co. et al.*, 216 Fed. 172 (W. D. Pa., 1914), aff'd, 220 Fed. 672 (C. C. A. 3rd, 1915), cert. denied, 238 U. S. 624 (1915) (license for process of making glass limited to "manufacture of pressed glass blanks for cutting, to be sold only to cutting houses for use in the manufacture of cut glassware"). See also cases upholding validity of limitations on use of patented machine or product: *General Talking Pictures Corporation* v. *Western Electric Co. et al.*, 304 U. S. 175, rehearing granted, 304 U. S. 587, 305 U. S. 124 (1938), rehearing denied, 305 U. S. 675 (1939); *Sinko Tool & Mfg. Co.* v. *Casco Products Corporation*, 89 F. (2d) 916 (C. C. A. 7th, 1937); *Vulcan Mfg. Co.* v. *Maytag Co.*, 73 F. (2d) 136 (C. C. A. 8th, 1934), cert. dismissed on stip., 294 U. S. 734 (1935); *Westinghouse Electric & Mfg. Co.* v. *Tri-City Radio Electric Supply Co. et al.*, 23 F. (2d) 628 (C. C. A. 8th, 1927); *Radio-Craft Co., Inc. et al.* v. *Westinghouse Electric & Mfg. Co.*, 7 F. (2d) 432 (C. C. A. 3rd, 1925); *Gamewell Fire-Alarm Co.* v. *City of Brooklyn*, 14 Fed. 255 (C. C. E. D. N. Y., 1882).

[3] *Rubber Company* v. *Goodyear*, 9 Wall. 788 (1869) (sales in the United States, not including sales to the United States Government); *Metro-Goldwyn-Mayer Corporation* v. *Fear*, 104 F. (2d) 892 (C. C. A. 9th, 1939) (use of patented machine limited to M. G. M.'s own use only); see *General Talking Pictures Corporation* v. *Western Electric Co. et al.*, 304 U. S. 175, rehearing granted, 304 U. S. 587, 305 U. S. 124 (1938), re-

This Court has been careful to strike down any unlawful tampering with prices, creating a restraint in violation of the anti-trust laws. But patent license limitations or restrictions as to "the price or terms of sale or other disposition" of the products of licensed machines or processes have been sustained when found to be within the "reasonable reward" of the patent.[1] Agreements for control of *resale* prices are not within the scope of the patentee's rights, but it is not against resale price limitations that subparagraph (a)(6) is directed.

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hearing denied, 305 U. S. 675 (1939) (sale of patented amplifiers restricted to private or home field); *Burr* v. *Duryee et al.*, 4 Fed. Cas. 806 (C. C. D. N. J., 1862), aff'd, 1 Wall. 531 (1864) (machines to be used only in Newark to make hats for one manufacturer and not others); *Bement* v. *National Harrow Company*, 186 U. S. 70 (1902) (sale of patented farm machinery limited to a particular territory); *Sinko Tool & Mfg. Co.* v. *Casco Products Corporation*, 89 F. (2d) 916 (C.C.A. 7th, 1937) (sales of patented lighters limited to automobile accessories, excluding standard equipment on new cars); *Westinghouse Electric & Mfg. Co.* v. *Tri-City Radio Electric Supply Co. et al.*, 23 F. (2d) 628 (C. C. A. 8th, 1927) (sale of patented receivers restricted to radio amateurs and experimenters); *Radio-Craft Co., Inc., et al.* v. *Westinghouse Electric & Mfg. Co.*, 7 F. (2d) 432 (C. C. A. 3rd, 1925) (sale of patented receivers restricted to radio amateurs and experimenters); *St. Louis Street Flushing Mach. Co. et al.* v. *Sanitary Street Flushing Mach. Co.*, 178 Fed. 923 (C. C. A. 8th, 1910) (patented street washers not to be used in United States); *Dorsey Revolving Harvester Rake Co. et al.* v. *Bradley Manuf'g Co.*, 7 Fed. Cas. 946 (C. C. N. D. N. Y., 1874) (patented rake to be sold in limited territory); *Gamewell Fire-Alarm Co.* v. *City of Brooklyn*, 14 Fed. 255 (C. C. E. D. N. Y., 1882) use limited to municipalities in the United States solely for fire-alarms or police or municipal intelligence).

[1] *Straight Side Basket Corporation* v. *Webster Basket Co., Inc.*, 82 F. (2d) 245 (C. C. A. 2d, 1936) (unpatented product); see *United States* v. *General Electric Company et al.*, 272 U. S. 476 (1926) (patented product); *Bement* v. *National Harrow Company*, 186 U. S. 70 (1902) (patented product).

(c) EXCLUSIVE, OR OTHERWISE DISCRIMINATORY, LICENSES.

The validity, *per se*, of exclusive licenses has never been questioned; in fact, the right of a patentee to "grant and convey an exclusive right under his patent to the whole or any specified part of the United States" is expressly recognized by statute.[1] Upon the question of validity there can be no tenable distinction between a grant of an exclusive right under a patent to the whole or any specified part of the United States and a license having the same effect.[2] Yet the grant of exclusive licenses by the defendants is prohibited in gross in all fields of industry and for all time by subparagraph (f) of Paragraph 29.

Nor is there anything in the patent law which causes patent licenses to be so affected with a public use as to compel patentees to treat all licensees equally and without discrimination. Nothing analogous to the Robinson-Patman Act[3] can be found in the Federal statutes applicable to patent licenses.[4] Yet subparagraph (f) prohibits for all time the grant by any of the defendants of "a preferential position" "to any lessee or vendee of any product, machine or equipment" embodying inventions of the defendant.

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[1]35 U. S. C. Sec. 47.

[2]See *Independent Wireless Telegraph Company* v. *Radio Corporation of America*, 269 U. S. 459 (1926); *Waterman* v. *Mackenzie*, 138 U. S. 252 (1891); *Becton, Dickinson & Co.* v. *Eisele & Co.*, 86 F. (2d) 267 (C. C. A. 6th, 1936), cert. denied, 300 U. S. 667 (1937).

[3]Act of June 19, 1936, c. 592, § 1, 49 Stat. 1526; 15 U. S. C. Sec. 13.

[4]Congress negated this concept in the attempted patent revision of 1877. *See* S. 300 (Sec. 2), 45th Cong., 1st Sess.

As this Court said in *Standard Oil Company (Indiana) et al.* v. *United States:*[1]

> "By virtue of their patents they had individually the right to determine who should use their respective processes or inventions and what the royalties for such use should be."

And even in a case[2] in which patent restrictions were struck down because they were a part of a complex system effected by agreements between the licensor and substantially all the manufacturers in a competitive area for the purpose of establishing uniform prices and fixing manufacturing quotas, it was conceded that the patentee "could prefer large manufacturers or small producers."

What possible relationship would it have to the facts of the present case, or to any violation of the anti-trust laws, were one of the Owens Defendants, even Owens itself, at some distant future time to grant in respect of a patented machine, process or product which, by its nature, could best be exploited territorially, "a preferential position * * * by means of" an "exclusive license" limited "to use in" a "specific * * * locality," while retaining for itself its patent monopoly for use in some other locality?

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[1]283 U. S. 163, 179 (1931); see also *Westinghouse Electric & Mfg. Co.* v. *Cutting & Washington Radio Corp.*, 294 Fed. 671, 673 (C. C. A. 2d, 1923):

> "What Armstrong arranged, or how he acted, with other licensees, is, of course, immaterial. He or plaintiff might have given a broad license to A., and yet closely restricted B."

[2]*American Equipment Co.* v. *Tuthill Bldg. Material Co.*, 69 F. (2d) 406 (C. C. A. 7th, 1934). See also *Radio Corporation of America* v. *Hygrade Sylvania Corporation*, 10 F. Supp. 879, 883 (D. N. J., 1934).

The attempt of subparagraph (f) to legislate a Robinson-Patman Act[1] as to the defendants' patents does not stop with patent licenses. It extends to sales by the defendants of any patented product. It enjoins any present or future agreement which "grants to any * * * vendee of any product * * * a preferential position, whether by means of * * * differing provisions of * * * sale * * * or by any other means." This seems to be an unqualified requirement of uniformity of prices and terms of sale upon any product manufactured by any of the defendants embodying any patented element. Apparently Owens, which manufactures a "Safedge" tumbler embodying Owens's inventions, also licensed to Corning, could not cut its price to meet Corning competition in a territory more advantageously served by Corning, without equally cutting the price to all of Owens's customers. Nor apparently could Owens give a quantity discount to a buyer of such tumblers however large his order might be and however much might be the saving to Owens in filling such a quantity order over the cost of filling dozens of orders for the same aggregate amount.

Whether the Department of Justice intended such an absurd result in drafting Paragraph 29, or whether the District Judge appreciated the absurd effect of the draft which he signed, may be doubtful. However, the fact that the language of subparagraph (f) does apparently compel such absurd results is typical both of the rashness of the drafting of this whole decree and of the rashness of its acceptance by the District Judge. No attempt seems to have been made either by the Department in writing the decree, or by the District Court in accepting the Department's

[1]None of the many qualifications of the Robinson-Patman Act is expressed in the prohibitions of subparagraph (f).

draft, to weigh the effect of the language used and reasonably to confine that effect "to prevent and restrain" the anti-trust law violations found to exist in the case at bar.

(d) AGREEMENTS NOT TO CONTEST VALIDITY OF LICENSED PATENTS.

Subparagraph (c) prohibits any agreement by a licensee not to contest the validity of the licensed patent within the scope of the license.

Here again there is a condemnation in gross of a type of agreement which, under most circumstances, will be entirely valid but which may be so abused as to be invalid. The validity of such an agreement will in each case depend upon the circumstances of its use. For example, such an agreement cannot be used to give validity to an invalid patent in order to sustain some agreement or restriction whose own validity in turn depends upon the validity of the patent.[1] So, too, a complex system of cross-licensing of patents between numerous and dominant members of the affected industry may be enough to invalidate covenants by all the parties to recognize the validity of all the cross-licensed patents.[2]

But, generally speaking, it has always been held that for the duration of the license the licensee, even without an express agreement, is estopped to dispute the validity of the licensed patent within the scope of the license.[3] The

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[1]*Sola Electric Co.* v. *Jefferson Electric Co.*, 317 U. S. 173 (1942).

[2]See *United States* v. *Standard Oil Co. (Indiana) et al.*, 33 F. (2d) 617, 630 (N. D. Ill., E. D., 1929), rev'd, 283 U. S. 163 (1931). *Cf.* the District Court's overstatement of the law on this subject in Conclusion of Law 37 (R. 7410).

[3]*United States* v. *Harvey Steel Company*, 196 U. S. 310 (1905).

validity of such an agreement as that prohibited by subparagraph (c) has always been sustained in the absence of collateral agreements or circumstances which themselves create an abuse, and hence invalidity.[1]

(e) AGREEMENTS AS TO IMPROVEMENTS, AND IMPROVING INVENTIONS, BY THE LICENSEE UPON LICENSED MACHINERY.

Subparagraphs (d) and (e) prohibit an agreement that "parts and equipment constituting improvements on leased * * * machinery made by the licensee, shall become the property of the lessor or vendor," or that inventions of such improvements made by a licensee shall become "the exclusive property" of the lessor or vendor.

It is patently absurd that, if one of the individual Owens Defendants should hereafter invent and lease an advanced type of airplane, he would be punishable by contempt of this decree if he required a lessee of the airplane to turn over, at the expiration of the lease, any improved parts which might

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[1] *United States* v. *Harvey Steel Company*, 196 U. S. 310 (1905); *Steiner Sales Co.* v. *Schwartz Sales Co.*, 98 F. (2d) 999 (C. C. A. 10th, 1938); *United Lens Corp.* v. *Doray Lamp Co., Inc.*, 93 F. (2d) 969 (C. C. A. 7th, 1937); *Sinko Tool & Mfg. Co.* v. *Casco Products Corporation*, 89 F. (2d) 916 (C. C. A. 7th, 1937); *Eskimo Pie Corp.* v. *National Ice Cream Co.*, 26 F. (2d) 901 (C. C. A. 6th, 1928); *American Specialty Stamping Co.* v. *New England Enameling Co.*, 176 Fed. 557 (C. C. A. 2d, 1910); *United States* v. *Wayne Pump Co. et al.*, 44 F. Supp. 949 (N. D. Ill., E. D., 1942), appeal dismissed, 317 U. S. 200 (1942); *Foster Wheeler Corporation* v. *Furnace Engineering Co., Inc.*, 46 F. Supp. 867 (S. D. N. Y., 1942); *Hall* v. *Penley Bros. Co.*, 8 F. Supp. 524 (D. Me., 1934); *Philadelphia Creamery Supply Co., Limited, et al.* v. *Davis & Rankin Bldg. & Manuf'g Co. et al.*, 77 Fed. 879 (C. C. N. D. Ill., 1896); *Pope Manuf'g Co.* v. *Owsley*, 27 Fed. 100 (C. C. N. D. Ill., 1886); *Dunham* v. *Bent et al.*, 72 Fed. 60 (C. C. D. Mass., 1885).

have been added by the lessee. Yet such is the effect of subparagraph (d).

Whether a licensee's grant to his licensor of exclusive rights to improving inventions made by the licensee upon the licensor's invention is a reasonable compensation for the license will depend upon the circumstances of each case. In any event the determination of that question is a matter entirely and lawfully within the discretion of the parties to the license.[1]

(f) Legislative History Affecting Paragraph 29.

As in Paragraphs 24 and 26, the Department of Justice, by Paragraph 29, is seeking to secure from this Court legislation which has been denied by Congress. Proposals to amend the patent law to invalidate substantially all of the various types of provisions invalidated in gross by this decree have often been rejected by Congress.[2]

Indeed the provisions of Paragraph 29 are in substance suggestions of the Department of Justice embodied in the recommendations of the Temporary National Economic Committee.[3] Those suggestions were largely motivated by this case and the hope that the recommended legislation would validate provisions like those of Paragraph 29 in the

[1] *Allbright-Nell Co.* v. *Stanley Hiller Co.*, 72 F. (2d) 392 (C. C. A. 7th, 1934).

[2] H. R. 8661, 62nd Cong., 1st Sess. (1911); H. R. 23192, 62nd Cong., 2nd Sess. (1912); H. R. 22202, 62nd Cong., 2nd Sess. (1912); H. R. 24116, 62nd Cong., 2nd Sess. (1912); S. 6365, 62nd Cong., 2nd Sess. (1912); H. R. 22345, 62nd Cong., 2nd Sess. (1912); H. R. 17140, 63rd Cong., 2nd Sess. (1914); S. 2730, 77th Cong., 2nd Sess. (1942); S. 2491, 77th Cong., 2nd Sess. (1942); H. R. 7713, 77th Cong., 2nd Sess. (1942); H. R. 1371, 78th Cong., 1st Sess. (1943).

[3] Final Report and Recommendations of the Temporary National Economic Committee, Senate Doc. No. 35, pp. 36-7 (1941), Seventy-seventh Congress, 1st Session. The Commis-

decree which the Department anticipated.[1] Up to the present, however, Congress has not seen fit to enact the recommended legislation.

(g) CONCLUSION.

Paragraph 29 must be deleted from the decree. The Owens Defendants may not, as to limited licenses whose "legality has never been questioned,"[2] or as to sales of patented products, be put into "a different class than other people," perpetually and with respect to "any product whatsoever" in every field of industry, even as punishment for their alleged "evil propensity."

6. Paragraph 51: Its Outlawry in Gross of Substantially Every Acquisition of Patent Rights in the Glassware Field Except Non-Exclusive Licenses.

Paragraph 51 perpetually enjoins all the defendants, including the Owens Defendants,

> "from directly or indirectly acquiring, otherwise than through direct issuance from the United States

sioner of Patents vigorously dissented from these recommendations. (*Hearings*, T. N. E. C. 31A, pp. 18,473 *et seq.*)

[1]Judge Thurman Arnold, then head of the Anti-trust Division, in the Final Report and Recommendations of the T. N. E. C. in 1941 (Sen. Doc. No. 35), said, at p. 115, with reference to a proposed consent decree in this case:

> "In the *Glass Container Case*, the *Hartford-Empire case*, we simply declined to enter into any decree at all. We thought that there was a case where we were asking them to give up certain restrictions which apparently were approved by the two cases decided by the Supreme Court. We thought there was a case in which we shouldn't ask for a decree because we would have had to go beyond the law."

[2]Mr. Justice Brandeis in *General Talking Pictures Corporation* v. *Western Electric Co. et al.*, 304 U. S. 175, rehearing granted, 304 U. S. 587, 305 U. S. 124, 127 (1938), rehearing denied, 305 U. S. 675 (1939).

> Patent Office * * * *any patent, patent application, or exclusive rights under any patent or patent application,* covering any invention embodied or employed in a machine or process used or to be used in the manufacture of glassware (*whether or not the machine or process embodying or employing the invention covered by the patent can be used without infringing another patent or patents*) which constitutes or employs in whole or in part, a method, means, or process to obtain results in the glass-making art which are *identical with, similar or alternative to those obtained or obtainable by the machinery, methods, or processes embodying inventions covered by patents then owned or controlled by said defendants;*"[1]

except (1) "non-exclusive rights;" or (2) any "patent covering inventions of any of its or his employees or those of any of its subsidiaries, made during the time of their employment."

As will later be pointed out, the exact scope of the prohibition is not clear. However, it is clear that the practical effect of Paragraph 51 is to outlaw, as to the glassware industry, all *acquisitions* of patent rights, other than non-exclusive licenses, however innocent in intent or effect, just as the practical effect of Paragraph 29 is to outlaw all patent *grants* except unrestricted non-exclusive licenses.

In supporting such a provision below, the Department of Justice made much of the argument that patents are like any property and accordingly their acquisition may be enjoined in an anti-trust case. It cited this Court's decisions in *United States* v. *Patten*[2] and *Shawnee Compress*

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[1]Italics ours.
[2]226 U. S. 525 (1913).

Company v. *Anderson*,[1] sustaining injunctions against monopolization, in the one case of a commodity and in the other case of machines.

Of course, patents are property, and exactly the same standards should be applied to a patentee's conduct with respect to patent property as would be applied to the holder of any other kind of property, in determining whether or not he has violated the anti-trust laws.

But in applying those standards regard must be had for the essential nature of the property right under a patent. By its nature it is a "restraint," a right to exclude others from use of the invention. By its nature it is a kind of "monopoly." A patent therefore is itself a "reasonable" restraint of trade, a "reasonable" monopoly, created by Congress under a constitutionally declared national policy, and in no wise in conflict with the fundamental principles of the anti-trust laws.

It is only when patent rights are abused in an effort to create a restraint or monopoly outside their scope or when, as might be the case of any other type of property, they are aggregated in such a manner as to constitute such a restraint or monopolization, that an anti-trust law violation exists.

The prohibition of Paragraph 51 extends to individual Owens Defendants who had no participation in any of the acts of Owens prior to October 1, 1935, which are alleged to have constituted participation in anti-trust law violations. It extends to those defendants years hence when they may have ceased to have any connection with Owens.

As to Owens itself, the prohibition covers fields of the glassware industry beyond those of feeders, formers and suction machines, with which the alleged illegal transactions

[1]209 U. S. 423 (1908).

dealt. It affects inventions in the fields of lehrs, stackers, conveyors and other apparatus as to which Owens's relationships with Hartford and all the other defendants have been at all times lawful.

As to the fields of feeders, formers and suction apparatus to which the alleged conspiracy in the present case relates, it extends, as to both character and time of the acquisition, far beyond anything appropriate to "prevent and restrain" the alleged illegalities.

The prohibition is not limited to joint acquisitions by several defendants or by a defendant with other glassware manufacturers. It applies to the acquisition of a single patent by a single defendant, individual or corporate, in the future, however remote.

The last joint acquisition of a patent right by Owens with others shown by the Record was in 1933.[1] The last acquisition by Owens from outsiders of a patent right in the suction field was in 1933,[2] and the last acquisition by Owens from an outsider of any patent rights in the fields of feeders and formers shown by the Record was also in 1933.[3] Indeed, only 7 joint acquisitions[4] of patent rights in any of these fields in which Owens participated and only 5 acquisitions[5] of patent rights by Owens itself from outsiders are shown by the Record.

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[1]FF 297 (R. 7342).
[2]FF 307 (R. 7344), 310 (R. 7344-5).
[3]FF 297 (R. 7342).
[4]FF 143 (R. 7307), 149 (R. 7309), 175 (R. 7315), 297 (R. 7342), 307 (R. 7344), 310 (R. 7344-5), 328 (R. 7347), 330 (R. 7347).
[5]Exs. 581 (R. 1387, 9232-5), 1000 (R. 2689, 9297-9), O-6015 (R. 6395, 9780-1), O-6016 (R. 6395, 9782-4), O-6024 (R. 6400, 16143), O-6025 (R. 6400, 16143-4), O-6030 (R. 6403, 16158-64).

The exact relationship between an acquired patent right and an existing patent right of the acquiring defendant which will subject a defendant to contempt proceedings is not clear.

Apparently Paragraph 51 prevents acquisition by a defendant of any patent in any way "competing" or "conflicting" with a patent of the defendant, whether or not the acquired patent be "basic" or be "improving" upon the defendant's existing patent.

There may be some narrow field within which Paragraph 51 does not prevent patent acquisitions. Perhaps it would not prevent an owner solely of a patent upon feeders from acquiring a patent solely relating to formers, or the acquisition by the owner solely of a patent upon suction machines of a patent solely upon a lehr. In other words, the prohibition may not extend to a patent affecting a step or process in the making of glassware which is wholly independent and distinct from any step or process covered by any patent of the acquiring defendant. Perhaps such a case may exist as to some of the individual Owens Defendants; but it certainly does not exist as to Owens or probably any of the other corporate defendants.

The prohibition seems to extend, as a practical matter, to the acquisition by Owens of any patent right in the feeder, former, suction, lehr, stacker or conveyor fields, upon any device which the imagination can conceive, for Owens owns some patents in all those fields.

No such prohibition is necessary or appropriate to "prevent and restrain" any violation of the anti-trust laws charged against Owens.[1]

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[1]In *United States* v. *American Bell Telephone Company*, 167 U. S. 224, 249-50 (1897), this Court said:

> "Much is said in the briefs and in the arguments about the practical continuance of the telephone monopoly. It

It does not suffice to say that Owens may acquire patents by direct issue upon the inventions of its own laboratories and those of its employees during their hours of work in the laboratories,[1] or that it may acquire non-exclusive licenses from outsiders.

The record before the Temporary National Economic Committee showed that the great bulk of patents issued in the United States are issued to so-called independent in-

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is well to understand exactly what is meant thereby. No one questions that the Bell patent has expired, and that all of his invention is free to the use of the public. It is not denied that Berliner's invention is something independent and distinct from the Bell invention. It is the combination of these inventions with those of Blake and Edison which makes the instrument in commercial use, and because this is the most serviceable it is the one that the public insists upon having. But each invention has independent rights. It loses nothing because when united with another it results in an instrument more valuable than either alone will give. Suppose that at the expiration of this Berliner patent some new invention shall be made by which in connection with those already free to the public an instrument can be manufactured far surpassing in utility that used to-day, and the Bell Company shall purchase that invention, the public, which always insists on having the best and most serviceable, will undoubtedly take the new instrument, and in that way it may happen that what is called the telephone monopoly is practically still further continued. But surely that does not abridge the legal rights of any one. The inventor of the latest addition is entitled to full protection, and if the telephone company buys that invention it is entitled to all the rights which the inventor had. All that the patent law requires is that when a patent expires the invention covered by that patent shall be free to every one, and not that the public has the right to the use of any other invention, the patent for which has not expired, and which adds to the utility and advantage of the instrument made as the result of the combined inventions."

[1]Paragraph 52, however, as a practical matter, is an injunction against obtaining such patents upon Owens's own inventions.

ventors. The greater part of the patents produced by the laboratories of the large corporations are upon routine minor improving inventions.[1] Independent outside inventors as a rule only originate ideas, though often important and revolutionary ideas. Not being engaged in commercial activity, not having adequate laboratories, such outside inventors infrequently develop their ideas to the commercial stage. Accordingly, when a manufacturer like Owens acquires what seems to be a valuable idea of an outside inventor, it is usually required to spend years and substantial sums in experimentation before the idea is brought to practical application. Out of ideas so purchased from outsiders, many prove, after years of such expenditure, to be valueless. Witness the Owens efforts with the overhanging lip idea of the O'Neill stationary pot.[2]

The outside inventor knows that the only way he can secure a return upon such an invention is to sell it, or license it exclusively, to a corporation having the facilities and the capital for such development. No manufacturer, at least so long as the American patent policy continues as it is, will make the necessary expenditures on the basis of a non-exclusive license. Any such arrangement would be, heads the acquiring manufacturer's competitors win, tails the acquiring manufacturer loses.

Truly Paragraph 51 puts the Owens Defendants in "a different class than other people," unlawfully discriminating against them and the other defendants in favor of non-defendant manufacturers in the glassware industry.

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[1]Hearings before the Temporary National Economic Committee, Seventy-fifth Congress, 1st Session, Part 3, Ex. 186, pp. 846, 1126 (1939).

[2]See pp. 70-2, *supra.*

Under the prohibitions of Paragraph 51, Owens, as a manufacturer of fruit jars, ranking fourth in that field and materially subordinate in production to Kerr,[1] not a defendant and not a licensee of either Hartford or Owens, would have no practical chance to keep abreast of Kerr in relation to outside inventions affecting the manufacture of fruit jars. Kerr could make arrangements with an outside inventor which would be attractive to him. Owens would be prohibited by Paragraph 51.

The iniquity of this provision would be aggravated if the invention were one which was an improvement upon an Owens basic patent, incapable of being practised without infringement of the Owens patent. Its iniquity in such a case is cumulative to that of Paragraph 24 providing for compulsory licensing. The competitor could buy the improving patent, compel a license on Owens's basic patent and insure an efficient machine from the use of which the competitor could bar Owens.

Paragraph 51 also would put into the hands of non-defendant glassware manufacturers a powerful nuisance weapon to prevent the breaking of patent deadlocks between inventions of defendants and those of outsiders. If an independent inventor should contend that some patent of his was infringed by some machine or process embodying a future invention of Owens, Owens, by reason of Paragraph 51, could not resolve the deadlock by purchasing the alleged conflicting patent. All it could do would be to try to get a non-exclusive license upon the outside invention. But suppose, as would usually be the case, the patentee had no interest in licensing, insisting on a sale. A non-defendant competitor of Owens, would be free to buy the

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[1]See pp. 82-3, *supra*.

outside patent, without any competition from any of the defendants, and employ it in an attempt to defeat Owens's use of Owens's own invention. If Paragraph 24 remained in the decree, the nondefendant competitor, while so using the outside invention against Owens would, at the same time, be able to compel a license under the Owens invention.

Paragraph 51 is thus not designed "to prevent or restrain" any unlawful competition of the Owens Defendants with others in the glass industry. It is deliberately designed perpetually to prevent and restrain Owens's lawful competition with all non-defendant glassware manufacturers, of whom there are many.[1] It is itself a restraint of trade, defeating the purpose of the Sherman Act.

It must therefore be deleted.

7. Paragraph 52: Its Outlawry in Gross of Substantially Every Patent Application in the Glassware Field.

Paragraph 52 perpetually enjoins all the defendants, including the Owens Defendants,

> "from filing or prosecuting * * * applications for patents in the United States Patent Office: (a) for the purpose, in whole or in part, of using patents issued on said applications, to block off, fence in, prevent or hinder the use or development or improvement by others of machines, methods, means or processes, which obtain or are capable of obtaining results in the glassware making art identical with, similar or alternative to, those obtained or obtainable by the machines, methods, means or processes, embodying inventions covered by patents * * * [of] the defendant prosecuting said patent application;

[1]See pp. 79-84, *supra*.

> and (b) with the intention of not making commercial use of the inventions * * * within four (4) years from * * * issuance of patents thereon; provided that failure to make such commercial use of any such inventions shall be deemed prima facie proof of the absence of such intention * * *."

Paragraph 52 purports to be an attempt to deal with the supposed problem of the "suppressed" or "unworked" patent. In the District Court it was supported by argument directed toward the practice described by the words "block off" and "fence in." However, the scope of patent applications condemned by its language is far broader.

In practical effect it subjects Owens to a continuous threat of a contempt proceeding if within four years after the issue of any patent in the glassware industry Owens has neither (a) licensed others to use the invention covered by the patent nor (b) itself made use of the invention.

The invention claimed in an application, which will violate the injunction of Paragraph 52, must relate to a machine, method, means, or process which obtains or is "capable of obtaining results in the glassware making art identical with, similar or alternative to, those obtained or obtainable" by a machine, method, means or process covered by a patent already owned by the applicant defendant.

The violation of Paragraph 52 which will subject a defendant to a contempt proceeding is not expressed as something which the defendant does or fails to do, but in terms of the defendant's state of mind existing at least four years prior to the earliest date upon which the contempt proceeding could be brought.

One of the two evil states of mind (declared by clause (a)) is "the purpose, in whole or in part, of using" the patents "to block off, fence in, prevent or hinder * * * use or development or improvement by others."

The second evil state of mind (declared by clause (b)) is "the intention of not making commercial use of the inventions" within four years after issue of the patent, and "failure to make such use is prima facie proof of the absence [*sic*] of such intention."

Paragraph 52 is ambiguous as to the patent applications within the scope of its prohibition. It is not clear just what is meant by "results in the glassware making art." The end result of substantially all of Owens's inventions in the making of glassware is, of course, the making of glassware. In that process there are many steps. Literally if, as is the fact, Owens already has an invention contributing to the "result" of a narrow neck bottle, every application which it may hereafter file upon any step contributing to the same ultimate result is within the scope of the prohibition.

If, however, the words "results in the glassware making art" are to be given a narrower interpretation and confined to precise steps in the glassware making art, the practical scope of the prohibition is not substantially lessened. Owens has patents on minor phases or variations of so many steps toward the ultimate result of glassware manufacture that the prohibition would, in practice, cover any new patent application upon substantially any step in glassware manufacturing.

The first of the two mental states whose existence in connection with an application would subject a defendant to a contempt proceeding (*i.e.* intent to prevent use by others) utterly ignores the basic and sole grant of a patent. A patent confers nothing except the right to "exclude" or "prevent" others from making, using or vending the invention described in the claims. Obviously, therefore, the purpose of every patent application is to "prevent or hinder"

the use or development by others of the claimed inventions. Hence the first of the declared evil states of mind probably exists, at least conditionally, in the case of every patent application filed in the Patent Office the moment the application is filed.

The sinister sounding words "block off" and "fence in" are also used in clause (a), doubtless to create "atmosphere." However, as they are used in the disjunctive with "prevent" and "hinder," their presence does not narrow the scope of the prohibition. But even if those words had been used conjunctively or without the broader words "prevent or hinder," they would be equally objectionable in the decree. They are essentially ambiguous, mere incantations, serving only to obscure and confuse.

There is no such thing as a "fencing in" or "blocking off" patent as distinguished from any other patent. A patent prevents others from making, using or vending—it "fences in" or "blocks off"—the precise invention described in the patent, and that is all. If someone invents one process for making milk bottles, the patenting by another of an alternative process does not "fence in" or "block off" the first patentee any more than if he had never invented his process. Nor does the patenting of two alternative machines, methods or processes by a single patentee "fence in" or "block off" others. By hypothesis both are his inventions, and to enjoin the patentee of the first invention from patenting the latter is to compel him to freeze his patent protection on the basis of the first invention made.[1]

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[1] *Cf.* Midgley's discovery of the use of tetra-ethyl lead as an anti-knock compound in gasoline by trying successively a number of chemicals, some of which offered a partial solution; if he had patented one before he reached the tetra-ethyl lead, he could not have patented that if he had been subject to such a

Nor is clause (a) more defensible as a condemnation of a state of mind (even with the evil sounding words "block off" and "fence in") when the defendant's invention covered by the application is an improvement on a basic invention of another. One of the very purposes of the patent system and of the circulation of the Patent Gazette is to stimulate invention by dissemination of inventions. "Nothing invents like invention."[1] The publication of a basic patent gives rise to a host of improvements and alternates.

A substantial part of the progress of American industry lies in inventions of progressive—yes, aggressive—competitors in endeavoring to invent their way around inventions of their competitors, and to improve upon those inventions thus, incidentally, "fencing in" or "blocking off" one or many known or unknown inventors.

Glassware making machinery is not something simple, involving only a few inventions. The machines of Owens, particularly in the suction field, commencing at the furnace, going through the suction machine and the lehr, to the finished product, are highly complicated machines involving many parts. Prior to 1921 they involved many patents expiring at many different times. The same thing is true today of the feeder former apparatus used by Owens, and doubtless true of the apparatus employed by Owens's major competitors. Owens's laboratories are constantly seeking to find improvements upon every part of the machines which it uses. They are also seeking new "machines, methods, means or processes * * * capable of obtaining re-

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prohibition as that of Paragraph 52—assuming he had persevered in the face of the knowledge that any subsequent invention by him could not be patented. Toulmin, Patents and the Public Interest (1939), p. 72.

[1]Vaughan, Economics of our Patent System (1925), pp. 6-8; T. N. E. C. Hearings, Pt. 3 (1939), p. 922.

sults in the glassware making art identical with, similar or alternative to, those obtained or obtainable by" Owens's existing apparatus. Neither new apparatus nor improving inventions upon various parts of old apparatus, however, spring into full commercial use overnight from such laboratories. An idea occurs to someone, and frequently years are consumed in working it out commercially. To protect the idea a patent is usually applied for as soon as the idea is crystallized into a patentable invention and long before its commercial application is worked out.

As Owens is not engaged in the licensing business its sole purpose in the maintenance of its laboratories is to develop inventions for its own use. Its purpose, and its right under any patent which it may obtain upon those inventions, is therefore, to use the language of clause (a) of Paragraph 52, to "prevent" "the use" of such "improvement" or such "alternative" "by others," including others whose basic patents then in existence might be infringed by any machine or processes embodying the Owens improving or alternative invention.

If the basic patent of some other inventor or competitor upon which such an Owens invention is an improvement is about to expire, or even if it may expire as much as five years in the future, is it not lawful foresight on the part of Owens to put itself into a position where, upon the expiration of the basic patent held by another, it will be in the position of having the best competitive machine?

The exclusive right of Owens to its improving invention is limited by the claims of its patent. No one, not even the holder of the basic patent, is deprived of anything he has by Owens's retention of its exclusive right upon the improving invention as defined by those claims. The owner of the basic patent has the same right as has Owens to develop the

improvement. If the outside patentee lacks the industry, the ability, the imagination, the "flash of genius," to conceive the improvement developed by Owens, or some equally good alternative or substitute, what possible illegality, or indeed what possible economic detriment to the public, lies in the exclusion of the basic patentee, and the rest of the industry, from the use of the Owens improving or alternate invention?

To declare that Owens is guilty of an evil state of mind which may subject it to a contempt proceeding, if it files a patent application for the purpose of using the patent to "block off," "fence in," "prevent or hinder" use of the invention covered by the patent—which is the sole effect of the patent—is to declare that Owens may not file any application for a patent upon any of its inventions in the glassware field.

Clause (a) of Paragraph 52 therefore is wholly inconsistent with the basic grant of an American patent, whether applied to inventions similar or alternative to those covered by existing patents of Owens or whether applied to improvment patents upon inventions of others competing with Owens's patents.

That inconsistency is not avoided by also requiring a second state of mind declared by clause (b) as a condition precedent to a contempt proceeding for violation of Paragraph 52. That second mental state which will condemn a patent application by a defendant, is first described as "intention of *not* making commercial use" within four years after the issue of the patent. It is then provided that "failure to make such commercial use * * * shall be deemed prima facie proof of *the absence of such intention.*"

Perhaps the Department of Justice intended to make some subtle distinction between the presence of a negative

intent, *i.e.*, "with intention of not making commercial use," and the absence of an affirmative intent, *i.e.*, "not with intention of making commercial use." If the Department had any such purpose it seems to have become a bit snarled in its drafting. The first part of clause (b) seems to express presence of a negative intent, while the prima facie proof proviso expresses absence of an affirmative intent.

Whatever may have been the purpose of the Department in its draftsmanship, the constant and perpetual subjection of the defendants to risk of punishment for contempt should not rest upon such a fine diagnosis of mental state existing at the time an application is filed, with a hindsight presumption arising four years after the patent issues on the application.

A laboratory such as that maintained by Owens does not confine itself to experimentation designed to effect specific improvements, or indeed to bring about specific commercial processes, in the field with which it is primarily concerned. Any such laboratory that is worthwhile at all spends a substantial part of its effort upon what may be called "pure science," as contrasted with "applied science."

Many of the most revolutionary inventions in American industry have lacked commercial significance at the time of their invention, and further have lacked commercial use for periods much longer than four years. For example, this Court recently had its attention drawn to that fact with reference to the inventions of Tesla and Hertz in the field of wireless telegraphy.[1]

As to many patent applications emanating from Owens's laboratories there is no intention, one way or the other, as to their commercial use at the time the application is filed.

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[1] *Marconi Wireless Telegraph Co. of America* v. *The United States,* U. S. , 63 Sup. Ct. 1393 (1943).

In other words there is, to use one of the expressions of Paragraph 52, "absence of such intention." Whether the inventions will ever be brought to commercial value will depend upon further experimentation. Most of such applications will relate to "machines, methods, means or processes * * * similar or alternative to" those upon which Owens already has patents. Many of such applications will relate to potential improvements upon basic inventions patented by others. Sometimes this will be accidental;[1] admittedly it will often be intentional. But whether an invention be similar or alternative to an existing Owens invention, or whether it be an improving invention upon the basic invention of another, or whether in the latter case the invention be accidental or intentional, in no case should non-use of the invention either work its forfeiture or subject Owens to a contempt proceeding for filing an application for a patent upon the invention.

The owner of a patent under the American patent system does not hold it in trust for the general public. He has no obligation to use it or to grant its use to others.[2]

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[1] *Cf.* the "accidental" development of Radar by the Navy Department. Sen. Doc. No. 89, 78th Cong., 1st Sess. (1943), pp. 5-6.

[2] This Court so held in *Continental Paper Bag Company* v. *Eastern Paper Bag Company,* 210 U. S. 405, 424 and 429-30 (1908), where it said:

> "The court [in *United States* v. *Bell Telephone Company,* 167 U. S. 224, 249] further said: 'Counsel seem to argue that one who has made an invention and thereupon applies for a patent therefor occupies, as it were, the position of a *quasi*-trustee for the public; that he is under a sort of moral obligation to see that the public acquires the right to the free use of that invention as soon as is conveniently possible. We dissent entirely from the thought thus urged. The inventor is one who has discovered something of value. It is his absolute property. He may with-

His only right under the patent law is to *exclude* others from its use for 17 years, provided he discloses the invention so that it will come into the public domain at the end of the period of the patent exclusivity.

Congress has not been blind to the problem of the "unworked" patent, or to this Court's decisions in the *Bell Telephone* case and the *Continental Paper Bag* case. Legislation has frequently been proposed either to impose a forfeiture,[1] or to compel compulsory licensing,[2] of a patent which is not "worked" for a specific period.

> hold a knowledge of it from the public, and he may insist upon all the advantages and benefits which the statute promises to him who discloses to the public his invention.'
> * * * * * * *
>
> "We have seen that it has been the judgment of Congress from the beginning that the sciences and the useful arts could be best advanced by giving an exclusive right to an inventor.* * * It is manifest, as is said in Walker on Patents, § 106, that Congress has not 'overlooked the subject of non-user of patented inventions.' And another fact may be mentioned. In some foreign countries the right granted to an inventor is affected by non-use. This policy, we must assume, Congress has not been ignorant of nor of its effects. It has, nevertheless, selected another policy; it has continued that policy through many years. We may assume that experience has demonstrated its wisdom and beneficial effect upon the arts and sciences."

See also *Barnett* v. *F. W. Woolworth Co.*, 56 F. (2d) 418 (E. D. N. Y., 1931), aff'd, 56 F. (2d) 420 (C. C. A. 2d, 1932); *National Malleable Castings Co.* v. *Buckeye Malleable Iron & Coupler Co. et al.*, 171 Fed. 847, 853 (C. C. A. 6th, 1909).

[1]H. R. 13876, 62nd Cong., 1st Sess. (1911); H. R. 22203, 62nd Cong., 2nd Sess. (1912); S. 3297, 67th Cong., 2nd Sess. (1922); H. R. 6864, 75th Cong., 1st Sess. (1937).

[2]S. 3325, 67th Cong., 2nd Sess. (1922); S. 3474, 69th Cong., 1st Sess. (1926); S. 705, 70th Cong., 1st Sess. (1927); S. 203, 71st Cong., 1st Sess. (1929); S. 22, 72nd Cong., 1st Sess. (1931); S. 290, 73rd Cong., 1st Sess. (1933); S. 383, 74th Cong., 1st Sess. (1935); S. 2491, 77th Cong., 2nd Sess. (1942).

To support these legislative proposals propaganda has been zealously spread that large manufacturers deliberately take out patents (1) for the purpose of suppressing inventions which would supplant inventions owned by such manufacturers, as well as (2) for the purpose of preventing the development of basic inventions of others upon which the suppressed inventions are improvements. Yet little evidence has been found of the existence of any such general practice.[1] In any event, the evidence has not seemed convincing to Congress, for none of the legislative proposals based upon the alleged practice has as yet been accepted.

The only evidence in the present Record which can give any excuse to the Department of Justice for attempting in this decree to legislate upon the problem of the unused patent is a "Memorandum of Policy"[2] found in the files of the defendant Hartford, written in February 1930 by one of Hartford's lawyers, and stating:

> "In taking out patents we have three main purposes,—
>
> "(a) To cover the actual machines which we are putting out and prevent duplication of them * * *
>
> "(b) To block the development of machines which might be constructed by others for the same purpose as our machines, using alternative means.
>
> "(c) To secure patents on possible improvements of competing machines, so as to 'fence in' those and prevent their reaching an improved stage."

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[1] *Hearings*, Oldfield, Revision and Codification of the Patent Laws, 63rd Cong., 2nd Sess. (1914). T. N. E. C. Hearings, Part III, pp. 966 *et seq.*, 1001, 1103 (1939). See also Folk, Patents and Industrial Progress, p. 258 (1942); Wood, Patents and Antitrust Law, pp. 114-7 (1942).

[2] Ex. 388 (R. 1226, 12958-76).

Whatever may be the effect of this memorandum upon Hartford, the Record shows no connection, either as to mental attitude or as to practical action, between the memorandum and Owens.

The Owens Defendants cannot be condemned, in perpetuity, for a state of mind declared by a Hartford lawyer, at most for his own company, more than thirteen years ago.

Paragraph 52 must be deleted, at least as to the Owens Defendants.

8. Paragraphs 33-36: Their Outlawry of Insignificant Investments in Non-Competing Companies.

Paragraph 33 enjoins all the individual defendants "from holding or controlling * * * any of the * * * stock, bonds or other evidence of indebtedness of more than one corporation engaged either in the manufacture and sale of glassware or manufacture and distribution of machinery used in the manufacture of glassware or in both."

Paragraph 35 enjoins all the individual defendants "from holding at the same time an office or directorship in more than one" such corporation.

Paragraph 36(A) enjoins all the defendants, corporate as well as individual, "from acquiring, purchasing, holding or controlling * * * any of the assets * * * or any of the capital stock or bonds or other evidences of indebtedness of any other defendant corporation" except the corporation of which an individual defendant is an officer or director; while Paragraph 36(B) enjoins all the defendants "while engaged either in the manufacture and sale of glassware or in the manufacture or distribution of machinery to be used in the manufacture of glassware or both * * * from

acquiring, purchasing, holding or controlling * * * any of the assets * * * or any of the capital stock or bonds or other evidence of indebtedness of any other corporation, firm or individual so engaged."

Whether or not these paragraphs may be appropriate against other defendants in the present case, they are not appropriate against the Owens Defendants. Owens has not owned any securities in any other glassware or glassware machinery company since 1926[1] and but one of the individual Owens Defendants has owned any such securities since 1938.[2] None of them has served as an officer or director of any other company in the glassware industry since August, 1935.[3]

The prohibitions cover not only stock, as suggested by the District Judge's opinion,[4] but also bonds or other evidence of indebtedness, and, as to both types of securities, (1) in however inconsequential amounts and (2) of any company any part of whose business lies in the glassware field, however inconsequential that business may be, either absolutely or relatively to the total business of the company.

These paragraphs would subject individual Owens Defendants to contempt proceedings if, for example, any of them should happen to buy 50 shares of stock of General Electric Company or a $500 debenture of Westinghouse Electric & Manufacturing Company. Both those companies manufacture and sell lamp bulbs, glassware as de-

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[1]Ex. 1595 (R. 3941, 8155, 8189); R. 2325.

[2]Ex. 1595 (R. 3941, 8155, 8189-93). Collin owned a small amount of stock (less than 1%) in Lynch as of the date the complaint was filed in this proceeding.

[3]Levis was a director of Hazel for less than two years. (R. 2116).

[4]46 F. Supp. 541, 621; Opinion, p. 159.

fined by the decree, although not as a major part of their businesses and not in fields in which Owens is engaged. Illustrations could be multiplied, affecting beverage or food processing companies or proprietary medicine companies which make some of their glass containers and sell those containers filled with their principal products. Illustrations doubtless could also be found of mail order or novelty chain store companies which make some glass products and sell them in their own stores. Literally these paragraphs would prevent Owens from accepting a $100 promissory note of such a company in payment for glassware sold to it by Owens.

Accomplishment of the proper purpose of such provisions as are contained in Paragraphs 33-36 does not require the prohibitions to extend to such irrelevant fields.

The paragraphs should, therefore, be modified (1) to prohibit only acquisitions of stock, bonds and evidences of indebtedness in amounts which by some possibility might affect competition, and (2) to prevent acquisitions of securities and the holding of offices or directorships only in other corporate defendants and in other corporations truly competitive with the corporate defendant in which the affected individual defendants hold securities or offices.

POINT IV

CONCLUSION

Whether or not the relationships of the Owens Defendants with other defendants, particularly Hartford and Hazel, prior to October 1, 1935, violated the anti-trust laws, Owens's withdrawal from those relationships by the 1935 agreements constituted a complete abandonment of any such violation. The effects of any such violation have now "been fully dissipated."

The Owens Defendants therefore urge that they are entitled to a dismissal of the complaint.

Whatever be the situation of Owens itself, nine of the individual Owens Defendants (*i.e.*, all except Levis, Belknap, Boshart and Collin) are entitled to a dismissal.

If such full dismissal be not warranted as to any Owens Defendant, the decree must, in any event, be limited in its impairment of patent rights of the Owens Defendants to those patents which, by possibility, might have been tainted with the alleged illegal relationship, *i.e.*, the feeder, former and suction patents of Owens itself acquired prior to October 1, 1935. It must exclude from its operation all the patents personally owned by the individual Owens Defendants, all the patents of Owens itself in fields untainted by the alleged illegal relationships (*i.e.*, in the fields of lehrs, conveyors and stackers) and all the patents acquired by Owens itself, in any field, since October 1, 1935.

Paragraphs 24, 29, 51 and 52 must be deleted. They are bald legislative attempts by the Department of Justice.

The remaining paragraphs affecting the Owens Defendants, whose general purpose if properly limited, may be

appropriate if some decree is to be entered against the Owens Defendants, must be radically modified to confine their prohibitions to those appropriate "to prevent and restrain" the alleged anti-trust violations.

It is no answer to the Owens Defendants' objections to the punitive and confiscatory abuses of discretion in the decree, that Paragraph 57 reserves to the District Court jurisdiction "for the purpose of enabling any of the parties * * * or their successors to apply to the court at any time for such further orders and directions as may be necessary or appropriate for the construction or carrying out of this judgment, for the *modification thereof*, * * *."[1]

The abuse of discretion is clear now: the modifications must be made now.[2]

The Owens Defendants are entitled to carry on lawful competition in the glass industry, subject only to explicit injunctive provisions reasonably necessary and appropriate "to prevent and restrain" violations covered by the complaint and in which the Owens Defendants may be found to have participated. They are entitled to be free from a perpetual overhanging threat of punishment for contempt under vague, all-comprehensive injunctions extending beyond such violations, beyond the glass industry "to every other phase of their businesses," deliberately intended by

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[1]Italics ours.

[2]The making of the necessary modifications will entail substantially the entire re-writing of the decree in order to correct its recklessly broad provisions. As it would seem doubtful that this Court would have the time adequately to deal with such a problem, the Owens Defendants agree with the suggestion of Hartford that unless the judgment below is reversed and the complaint dismissed, the decree be returned to the District Court for redrafting in accordance with principles to be declared in this Court's opinion.

the Department of Justice "to enjoin them for all time from violating statutes on the books, so that" the Department "should not have to institute another proceeding against them * * * and so that" the Department "can come before" the court "and seek to hold them in contempt."

Respectfully submitted,

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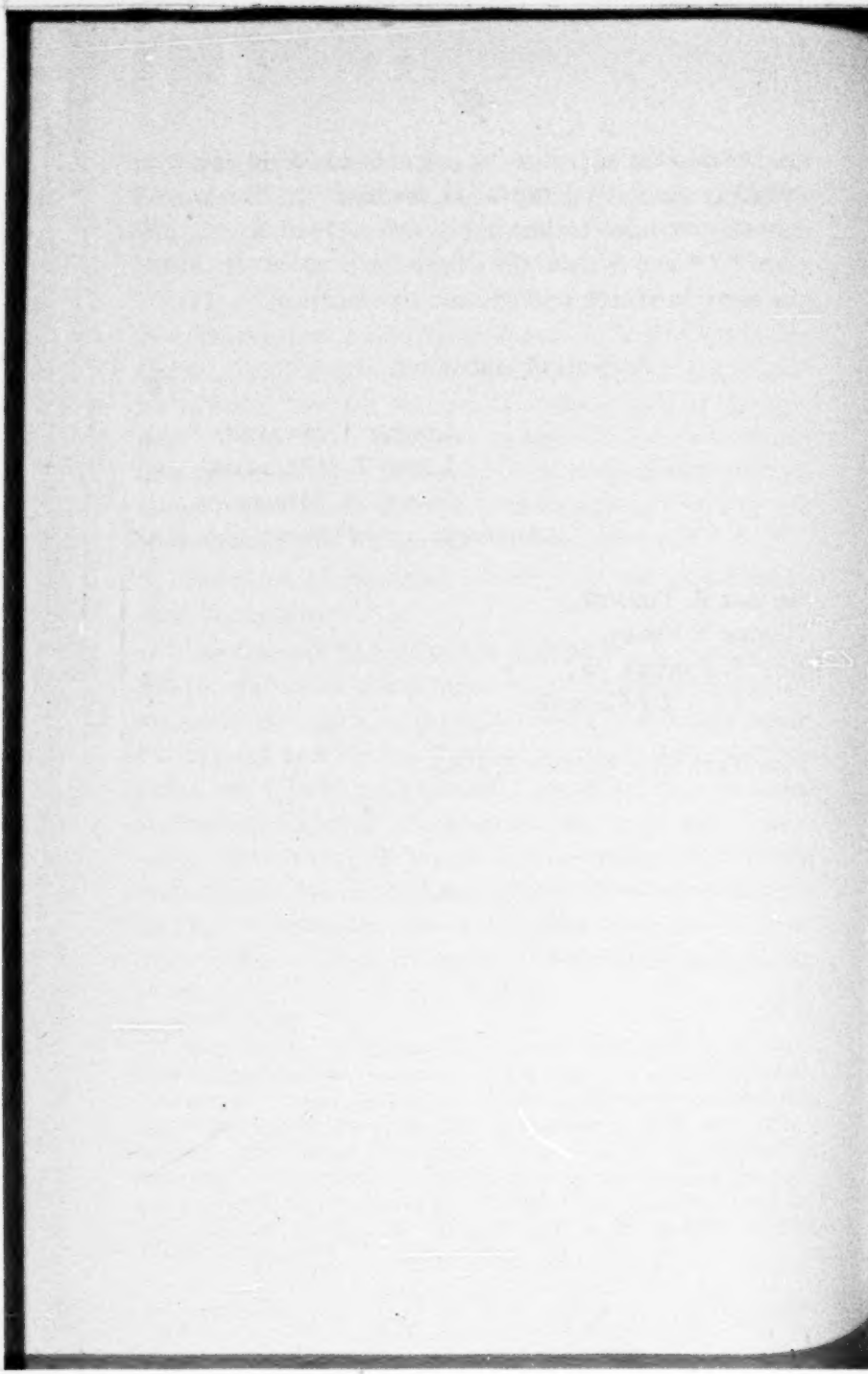
New York City, October 4, 1943.



APPENDIX A

THE DISTRICT COURT ERRED IN HOLDING THAT OWENS CONSPIRED WITH HARTFORD WITH RESPECT TO ANNEALING MACHINERY.[1]

1. The Alleged Hartford-Owens Conspiracy with Respect to Annealing Machinery.[2]

The District Judge found that the alleged conspiracy in which Owens was a participant extended not only to suction devices and gob feeders and formers but also to lehrs.[3] The impact of the decree extends both to lehrs and to stackers.[4]

In the ordinary anti-trust case in which violations of law affecting an entire industry are found, it is of little importance to determine what particular patents have been used to effect the violation.[5] But because the decree in the present case, on the alleged authority of this Court's *Morton Salt* decision, seeks to confiscate all the present and future patent rights of all the defendants, it may become important to determine just what patent rights have been misused and what patent rights are innocent of any misuse.

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[1]The assignments of error relied upon in connection with this contention are numbers I; II (2), (42); III (68), (69), (86), (95); IV (17), (18); and VI (2), (3).

[2]See footnote 1 on page 5 for a description of annealing machinery.

[3]Conclusion of Law 67 (R. 7416).

[4]Decree, Paragraph 1(J) and (K).

[5]Cf. *Local 167, International Brotherhood of Teamsters, etc., et al.* v. *United States,* 291 U. S. 293, 299 (1934).

While, prior to October 1, 1935, Owens participated in the condemned arrangements respecting feeder and former apparatus, it never participated in any transaction affecting either lehrs or stackers which could by any possibility justify application of the decree to Owens in those fields.

The alleged inclusion of Owens in Hartford's "policy and ambition * * * to control through patent domination the annealing link"[1] rests upon these specific charges:

(1) That Hartford licensed its lehr inventions to Owens on terms more favorable than those granted other Hartford licensees;[2]

(2) That in early 1934 two alleged representatives of Owens made offers to, and threats against, a competitor of Hartford in the lehr field with intent to drive that competitor out of business;[3]

(3) That "in accordance with an understanding with Owens" and with Owens's assistance, Hartford brought two infringement suits against a licensee of that competitor;[4] and

(4) That "Owens * * * was the great proponent of the so-called 'unit plan'" under which Hartford licensees were to be offered "a feeder, former, transfer device and fireless lehr at substantially present "Hartford-Empire feeder royalties.[5]

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[1]The District Court made several Findings of Fact with respect to lehrs (FF 351-63 (R. 7352-4), 424 (R. 7365), 432 (R. 7366-7), 439 (R. 7367-8), 491 (R. 7375)), but none with respect to stackers other than those describing the Hartford standard stacker license held by all Hartford's stacker licensees, including Owens. (FF 348 (R. 7351), 424 (R. 7365)).

[2]FF 352 (R. 7352).

[3]FF 358 (R. 7353).

[4]FF 359-60 (R. 7353).

[5]U. S. Brief below, p. 376; Reply Brief, p. 121.

2. The Hartford-Owens Lehr Agreements.

Inventions covering lehrs were not "licensed inventions" in the 1924 Hartford-Owens agreement.[1] In other words, Owens never participated, or had any interest, in Hartford's licensing in this field.

The problems of Owens in developing and adapting lehrs for use in connection with its suction machines have always differed materially from the lehr problems of manufacturers using gob feeders and formers. Each suction machine has a much greater productive capacity than a feeder-former machine. Therefore it must be served by larger lehrs. Accordingly, one of the first problems of Michael J. Owens after he had developed his first automatic bottle making machine was to provide an appropriate lehr. He designed and built brick lehrs which were not wholly satisfactory.[2]

Because of the peculiarities of the Owens lehr problem some of Owens's arrangements with Hartford differed from those of some of Hartford's other licensees. On the whole, however, the Owens arrangements for Hartford lehrs provided for the same standard terms granted by Hartford to its other lehr licensees. It cannot fairly be said, looking at all the facts, that the Owens terms were more favorable or that their differences have any relevance to this case.

In 1925 Hartford made available to glassware manufacturers a patented lehr of its own design.[3]

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[1]FF 352 (R. 7352).

[2]R. 6429-30.

[3]Ex. H-5749 (R. 5732, 15435). The story of Hartford's lehr development is told in *Hartford-Empire Co.* v. *Swindell Bros., Inc.*, 96 F. (2d) 227 (C. C. A. 4th, 1938), on rehearing, 99 F. (2d) 61 (1938).

Illinois Glass Company, most of whose glassware manufacturing assets were acquired by Owens in 1929, entered into a Hartford standard lehr license in 1925,[1] and Owens itself executed a Hartford standard lehr license in 1926.[2] These licenses covered specific leased lehrs which were used with feeder-fed forming machines and not with suction machines. The royalties under them were exactly the same as those of all other Hartford licensees. When the rates of royalty were revised in March, 1927,[3] and again in February, 1935,[4] the same rates were applied to Owens as were applied to other Hartford licensees.

The Hartford lehrs were heated by oil and gas.

While operating lehrs leased under the Hartford licenses, Illinois began experimenting with the use of electricity to heat lehrs and also to develop a type of lehr more suitable than the Hartford type for the Owens suction machine. This experimentation by Illinois was under the direction of Frank T. Nesbitt, an engineer, who has been in Owens's employ since its acquisition of the Illinois assets in 1929 and has continued experiments in the lehr field. Nesbitt had made applications for patents in that field as early as 1927 and 1928, and eventually received two such patents.[5]

The Nesbitt applications came into interference in the Patent Office with applications of Mulholland, a Hartford engineer, and also with an application of Amsler, an engi-

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[1]Ex. O-6039 (R. 6438, appeal record 2692-718).

[2]Ex. O-6040 (R. 6438, 9831-42).

[3]Exs. O-6041 (R. 6438, 9843-5), O-6042 (R. 6438, 9845-7).

[4]FF 357 (R. 7353); Exs. O-6047 (R. 6438, 9857-64), H-5800 (R. 5815, 19452-3).

[5]Exs. O-6037-8 (R. 6432, appeal record 27078-98); R. 6428-32.

neer of Simplex, a glass machinery manufacturer having no connection with Owens or Hartford.[1]

Owens never had any interest in manufacturing or marketing lehrs,[2] its entire concern being to get the best possible lehrs for the Owens suction type machines and to get them as soon as possible and upon the best possible terms. This, and this only, was its motive in seeking to avoid protracted interference proceedings between the Nesbitt applications and those of Mulholland and Amsler.

On June 12, 1930, Owens and Hartford entered into an agreement dealing with the Nesbitt-Mulholland interference.[3] Hartford granted to Owens a non-exclusive license on such of the Mulholland claims as eventually might be issued to him, and Owens granted to Hartford a non-exclusive license on such of the Nesbitt claims as might eventually be issued to him. The exchange was royalty free. In fact Mulholland lost on the interference before the Patent Examiner, so that the ultimate effect was solely a license from Owens to Hartford on specific Nesbitt inventions.[4] This 1930 agreement was not a general license. It covered only the specific conflicts between Nesbitt and Mulholland over inventions in electrically heated lehrs and it did not in any wise change the standard licenses of 1925 and 1926 from Hartford to Illinois and Owens under which Owens was at the time operating the specific oil and gas heated lehrs covered by the earlier licenses.

Hartford, wholly apart from Owens, thereafter effected a settlement with Amsler, procuring an exclusive

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[1]R. 6433.
[2]R. 6439.
[3]Ex. O-6043 (R. 6438, 9847-52).
[4]R. 6434.

license on his interference claims. On November 12, 1930, Owens and Hartford entered into an agreement,[1] under which they agreed to arbitrate the interferences between Amsler and Nesbitt and that, upon the determination of those interferences, Hartford would grant to Owens a non-exclusive license under any Amsler claims which might prevail. As indicated above, the agreement of June 12, 1930, had already licensed Hartford under the Nesbitt claims if they should succeed.

Can it possibly be that the Department of Justice finds some illegality in such a mutual exchange of non-exclusive licenses between specific conflicting patent claims?

The Owens inventions dealt primarily with electrically heated lehrs. It was to that type that the 1930 agreements between Owens and Hartford were primarily related. Subsequently Owens began to use gas, either in addition to or in substitution for electricity, in some of the lehrs which it had designed as electric lehrs. Hartford contended that the agreements of 1930 did not permit such use and that its patents were thereby being infringed by Owens.[2]

Accordingly, an agreement[3] was entered into on February 18, 1931, with respect to the Owens built lehrs, providing for the release of Owens from Hartford's infringement claims on the lehrs previously built by Owens and then in its possession.

For the future this 1931 agreement also provided for (a) a non-exclusive, royalty-free license from Hartford to Owens to make and use electric lehrs, and (b) a non-exclusive license from Hartford to Owens, to make and use gas

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[1]Ex. O-6044 (R. 6438, 9852-3).
[2]R. 6435-6.
[3]Ex. O-6045 (R. 6438, 9854-6).

and oil fired lehrs at standard Hartford royalty rates. Owens in turn granted to Hartford, royalty-free, an exclusive license under Owens's lehr inventions, subject to Owens's reserved right itself to use those inventions. All these licenses were under inventions acquired prior to July 1, 1941.

Simultaneously with the last-mentioned 1931 agreement, Owens also settled a claim of Hartford that five so-called Dixon lehrs acquired by Owens in connection with its purchase of a plant from Atlantic Bottle Company infringed Hartford's patents.[1] This settlement was that Owens should pay in respect of these five lehrs Hartford's standard royalties if and when Hartford established by court decree patent coverage of the lehrs in question.

Again both these 1931 agreements left unchanged the 1925 and 1926 licenses to Illinois and Owens, respectively, covering specific lehrs and on which Owens continued to pay standard royalties, exactly as did all other Hartford licensees.

The Owens-Hartford agreements of September 30, 1935, which have been discussed under Point I, *supra*, canceled *all* then existing agreements and licenses between Hartford and Owens, including all the existing lehr agreements and licenses. It was therefore necessary to execute new licenses in this field. These new licenses[2] continued substantially the preexisting licensing terms from Hartford to Owens. The specific machines licensed by Hartford to Owens under the 1925 and 1926 agreements continued to be licensed at Hartford's standard terms. Hartford's licenses to Owens for Owens-built lehrs continued as before,

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[1]Ex. O-6046 (R. 6438, 9856-7).

[2]Ex. 580 (R. 1387, 9213-30); FF 424 (R. 7365), 432 (R. 7366-7).

viz., all non-exclusive; on electric lehrs, royalty-free; on oil and gas fired lehrs already built, royalty-free; on oil and gas fired lehrs subsequently built, at standard Hartford royalties. The license on the five Dixon lehrs continued on standard Hartford terms—if and when Hartford established its patent claims.

But the Owens license to Hartford under the 1935 lehr agreement, like the licenses in the feeder and former fields, became non-exclusive.

The 1935 agreements did not, however, end the controversies over Owens's lehrs. A dispute arose as to whether particular lehrs developed by Owens were electric fired, or oil and gas fired. It will be remembered that the Owens lehr problem differed radically from the lehr problem of other manufacturers, and part of the Owens problem was to develop unusually high temperatures at the hot end of the lehr.[1] For this purpose Owens introduced gas heat as well as electric heat into lehrs which it contended were essentially electric lehrs. If these lehrs were electric, Owens owed Hartford no royalties on them, but if they were gas fired Owens owed Hartford its standard royalties.[2]

On October 25, 1939, this controversy was settled, as were also certain disputes as to royalties claimed by Hartford because of shifting of sections of lehrs and the difficulty of identifying the various licensed units.[3]

Thus, while in some respects the Owens arrangements with Hartford in the lehr field differed from Hartford's arrangements with other glassware manufacturers, those

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[1]R. 6435.
[2]R. 6438.
[3]R. 6437-8; Ex. 1685 (R. 3943, 9497-9).

differences were entirely due (a) to Owens's peculiar problems which required a type of lehr service used by no one else and (b) to the fact that Owens was itself developing lehrs adapted to its suction type apparatus and claimed by Hartford to infringe its patents. Owens's use of Hartford lehrs has always been in connection with the feeder-former machines, and that use has always been upon the standard terms applied to all of Hartford's licensees.[1]

In respect of stacker and conveyor apparatus, also covered by the decree, Owens has never had anything but standard Hartford licenses.

3. The Alleged Threats Against Amsler-Morton.

Finding of Fact 358 purports to connect Owens with a visit by Harry Collin and another visit by Collin, accompanied by B. F. Hazelton, Jr., and one Frazier, to Amsler-Morton Company, a competitor of Hartford in the manufacture of lehrs. Collin, at the first visit, offered Amsler-Morton "$200,000 for its patents and an agreement to get out of the glass making machinery business," and Hazelton, at the second visit, suggested a combination of Amsler-Morton with Simplex Engineering Company, another company not connected with Owens or Hartford, but also engaged in the glass machinery business. This suggestion was accompanied with the threat "that if they did not agree to combine they would be sued until they were driven out of the glass machinery business."

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[1]At the present time Owens pays such royalties to Hartford on 83 lehrs. It uses royalty-free 102 electric lehrs and 23 oil and gas fired lehrs which it built under its own inventions and was using prior to 1935. (R. 6439).

These visits occurred in January or February, 1934. Collin admittedly was a director of Owens at the time, but he was also active as a promoter and a member of the firm of Collin, Norton and Co., investment bankers, of Toledo.

Hazelton admittedly was a vice-president of Owens at the time, but he was also a large stockholder of Simplex, a machine manufacturer with which Owens had no connection.

Frazier was an officer of Simplex and had no connection at all with Owens.

The testimony with regard to the alleged offer and threat was that of one Geer, an officer of Amsler-Morton. The relevant testimony is reproduced in the margin.[1]

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[1]Geer testified as to the first visit as follows (R. 1875):

"* * * Mr. Collin came there and introduced himself by stating that he was a vice-president of the Owens-Illinois Glass Company.

"Q. Was Mr. Collin a vice-president of Owens-Illinois?

"A. No, he was a director—I mean—of the Owens-Illinois Glass Company; that he was a member of the company that combined the Owens Bottle Company and the Illinois Glass Company; and that he also was instrumental in combining his company,—his company was,—instrumental in combining the Lynch Glass Machinery, the Ed. Miller Company of Columbus, and the O'Neill Machine Company of Toledo.

"Mr. Collin suggested that we sell our glass business; he did not say to whom; but he made us an offer of $200,000 for the glass patents, and—well—to get out of the glass business: that was the idea."

As to the second visit, Geer's testimony is as follows (R. 1876-7):

"Q. Whom did he come with the second time?

"A. The second time, Mr. Collin came with Mr. Frazier of the Simplex Engineering Company; and Mr. Benjamin Hazelton, vice-president of Owens-Illinois Glass Company.

Geer specifically denied that at either visit either Collin or Hazelton purported to represent Owens.

"Q. Do you know what, if any connection Simplex Engineering Company at that time had either with the Hartford-Empire Company or the Owens-Illinois Glass Company?

"A. Well, Simplex was very close to both Hartford and Owens.

"Mr. Goodrich: I move to strike that answer, if the Court please, let him be specific.

"The Court: Yes, that does not convey any idea. That may be stricken.

"Q. Aside from that, do you know if there was any connection between the Simplex Engineering Company and Hartford-Empire Company, if you know?

"A. I am not sure at that time whether they were licensed by Hartford; but I know they were, up to that time; and I also know that Mr. Benjamin Hazelton was a very large stockholder in the Simplex Engineering Company, I know that."

* * * * * * * * *

"A. Mr. Collin suggested, and Mr. Hazelton concurred, that they put the Amsler-Morton Company and the Simplex Engineering Company together on a basis of one-third for Amsler-Morton, one-third for Simplex, and some outside party was to have the other third. The scheme was that each company would take their cash out of the business; and that they would collect, get together, for the other third one-half a million dollars which they would throw into the company as working capital. Mr. Hazelton stated he would see that we got all of the tank business of the Owens-Illinois Glass Company and other companies; and that we would get the rights to build all of the Hartford lehrs.

* * * * * * * * *

"Q. What did he say concerning that time of one month to think it over?

"A. Well, he said as he was leaving: 'Now, boys, we have made you a good proposition'. He said, 'If you take it, you are going to make some money'. He said, 'We will give you a month to think it over.' He said, 'But if you do not go on with us, you are going to be sued, and continue to be sued until you are out of business.' He said, 'It is our plan that

His testimony shows the perfectly natural fact that on the first visit Collin, in introducing himself, described his various business connections. Despite Geer's specific denial,

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nobody in the glass industry is going to be allowed to own one piece of equipment'."

On cross-examination (R. 1888):

"Q. Did any one of these gentlemen state to you he had been sent to you by Hartford-Empire?

"A. No. I would not say that.

"Mr. Goodrich: I move to strike out the latter part of the answer.

"The Court: The latter part may go out.

"Q. Did either of them state to you Hartford-Empire was putting up any money for the purchase of the Amsler-Morton business?

"A. They did not tell us where the money was coming from.

"Q. So the answer to my question is no, is it?

"A. That is right."

And again (R. 1896-7):

"Q. Did you then know who Mr. Collin was?

"A. Yes.

"Q. You knew he was a broker in Toledo?

"A. I knew he was a broker that put the Owens-Illinois Glass Company together, because I saw an account of it in the paper.

"Q. You knew he was in some independent business other than Owens-Illinois?

"A. Yes, and I also knew he was a director of the Owens-Illinois Company.

"Q. But you knew he did not spend his time operating the Owens-Illinois Glass Company, didn't you?

"A. No, I didn't know. I don't know. I don't suppose I ever thought of it. It never occurred to me what connection he had with them because he was an official.

"Q. And neither of those gentlemen told you then they were representing Owens-Illinois Glass Company, in talking to you, did they?

"A. No, they were very careful not to say who they represented."

when pressed, that Collin at any time purported to represent Owens, Geer's testimony indicates an over-eagerness on his part to further the Department of Justice effort to connect Owens with the transaction, going to the extent of calling Collin a vice-president of Owens, which Collin was not. Nevertheless, even in the Geer testimony the accent, as to Collin, was upon his activities as a promoter.

Apparently Geer knew Hazelton and Frazier of Simplex, who accompanied Collin on the second visit, for his testimony does not indicate that either of them described their business connections to him. He merely states them. But here again the accent was upon Simplex because it was Simplex with which, under the proposal made by the three visitors, Amsler-Morton was to be consolidated.

Geer's testimony attributes to Hazelton an expansive boast that "he would see that we got all of the tank business of the Owens-Illinois Glass Company and other companies and that we would get the rights to build all of the Hartford lehrs." Hazelton, said Geer, backed this boast with an assertion that he had "influence."[1] When this fact is taken in connection with the extensive business which Hazelton promised to get, including not only Owens and Hartford but "other companies," it patently indicates that Hazelton was speaking for himself and in no wise for Owens.

The Department of Justice in its briefs below criticized Owens for not putting a witness on the stand to deny that Collin and Hazelton were acting for Owens. In a mass of testimony creating the present voluminous Record covering hundreds of transactions and fraught with every shade of innuendo, was it to be expected that the Owens counsel

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[1]R. 1888.

would identify this flimsy evidence as a charge of Owens's conspiracy with Hartford and put the parties concerned on the stand to deny that inference? They properly regarded it as one of the many far-fetched, not to say frivolous, attempts to develop innuendo against Owens, when justifying facts were absent. Hazelton was dead.[1] As to Collin, this was not the only transaction in which he personally acted as a broker or promoter.[2] Frazier, the third person present, admittedly was a Simplex representative without any connection with Owens. The only fair inference to be drawn from Geer's testimony is that the three negotiators were acting for Simplex, in a matter in which Owens had no interest whatsoever. There was therefore no reason for Owens calling either Collin or Frazier to deny an inference not fairly to be taken from the Geer testimony.

4. Owens's Alleged Participation in Hartford's Infringement Suit Against an Amsler-Morton Licensee.

Findings of Fact 359 and 360 charge that Hartford's two suits against Swindell, a licensee of Amsler-Morton, for infringement of Hartford's lehr patents brought in 1934, shortly after the alleged threats of Collin, Hazelton and Frazier, were "in accordance with an understanding with Owens" and that "Owens assisted Hartford in obtaining evidence to be used in the trial" of that suit.

There is not the slightest fragment of evidence to connect Owens with the bringing of the suit.

Amsler-Morton apparently was infringing Hartford's patents, for Hartford won the suits.[3]

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[1]U. S. Brief below, p. 2.

[2]Exs. 262 (R. 1075, 12811-2), 1067 (R. 2808, 13714-5).

[3]*Hartford-Empire Co.* v. *Swindell Bros., Inc.*, 96 F. (2d) 227 (C. C. A. 4th, 1938), on rehearing, 99 F. (2d) 61 (1938).

Owens's alleged assistance in procuring evidence for Hartford was this: One of the issues was as to the state of the prior art and the use of certain types of lehrs in a plant prior to its acquisition by Owens. One of Hartford's patent counsel wrote Belknap of Owens asking for information as to the facts respecting this use.[1] All of the information requested, of course, could have been obtained by subpoena or on deposition. It was prepared and furnished to Hartford.[2] Thereafter Hartford requested Owens's permission to use as a witness one Holmes, who had managed the plant in which the lehrs had been used before its purchase by Owens and was then in Owens's employ.[3] However, Holmes was never called as a witness.[4] In any event, Hartford could have subpoenaed Holmes or could have taken his deposition and Owens could have done nothing to prevent.

Is it the slightest evidence of conspiracy that Owens voluntarily granted the two Hartford requests rather than compel the issue of subpoenas or the taking of depositions? Does the Department of Justice contend that Owens should have suppressed the truth in order to escape a charge of conspiracy?

5. The Alleged "Unit Plan."

It is undisputed that early in 1933 Levis and Belknap proposed, not only to Hartford but also to Hazel, a plan of licensing through Hartford of "a complete outfit from

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[1]Ex. 764 (R. 1940, 13448A).

[2]Exs. 765 (R. 1941, 13448 B), 766 (R. 1941, 13449), 767 (R. 1941, 13449-50), 768 (R. 1941, 13450 A).

[3]Ex. 769 (R. 1941, 13451).

[4]R. 6369.

furnace to stacker at the cost of a single license fee" which was to be "substantially present * * * feeder royalties."[1]

The evidence as to just what the plan was is vague. There is no evidence that it contemplated illegal full line forcing or any tying arrangement violative of the Clayton Act. Might there not be substantial advantage to licensees and to the furtherance of competition, in a plan under which a licensee could, at its option, obtain the full equipment necessary to manufacture glassware "from furnace to stacker" at a less fee than would have to be paid for licenses upon machinery for the separate steps in the manufacturing process?

But whatever the plan was, nothing came of it. Hartford did not see how it "would be workable."[2] The Corning witness had no recollection of ever having heard of it.[3] Hazel "was not interested especially," but "had no objections to the Unit Plan if it was agreeable to the licensees in general." Indeed, the Hazel witness didn't recollect the details of the plan.[4] Neither Levis nor Belknap, the original proponents, seem ever to have mentioned the plan after October 1933, and it seems never to have been heard of again until it cropped up nearly ten years later in the Department of Justice's brief below.

A proposal wholly vague in its detail, which might have been of advantage to the industry, which is not shown to have contemplated any illegality, and, what is more important, which died aborning and never had the slightest practical effect, can hardly support a finding of violation of the

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[1]Exs. 165 (R. 950, 12681-4), 745 (R. 1917, 13437-8).
[2]R. 1150-3. [3]R. 1746. [4]R. 2471.

anti-trust laws.[1] Certainly it cannot support perpetual confiscation of Owens's lehr and stacker patents.

6. Conclusion.

There has never been anything in any of the Hartford-Owens lehr or stacker agreements which, on Owens's part, offends even the extreme views of the Department of Justice respecting lawful patent licenses.

While for a brief time Hartford had an exclusive license under Owens's lehr patents, subject to Owens's reservations, that license became non-exclusive in 1935, at the same time that Owens withdrew from the antecedent feeder-former arrangements.

Owens never participated in Hartford's licensing of lehrs or stackers.

Owens never participated with Hartford in the purchase of any patent rights covering lehrs or stackers or in any Patent Office proceedings designed to give direction to the issue of any patents on lehrs or stackers.

Owens never participated with Hartford in any patent litigation affecting lehrs or stackers.

The relations between the two companies in the lehr and stacker fields have always been at arms-length and frequently marked by controversy.

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[1]See *Straight Side Basket Corporation* v. *Webster Basket Co., Inc.,* 82 F. (2d) 245, 246 (C. C. A. 2d, 1936), where Judge Chase found it unnecessary to determine whether the plaintiff's "ineffective attempt" to change restrictions in a licensing agreement rendered the agreement unenforceable, since the modification was never consummated. Also see *Standard Oil Company (Indiana) et al.* v. *United States,* 283 U. S. 163, 181-2 (1931).

Owens was not favored by Hartford in either of these fields. In so far as it used lehrs or stackers built by Hartford it used them upon standard terms applicable to all Hartford licensees. In special situations where there were special lehr agreements, the variation from standard terms was entirely due to the fact that the machines were built by Owens and embodied primarily Owens patents but were alleged by Hartford to infringe Hartford patents. There was nothing abnormal, unreasonable or in the least savoring of conspiracy or restraints upon the parties themselves or upon third parties in the settlement of these specific and narrow patent conflicts.

It therefore follows that the Findings and Conclusions of the District Court tying Owens into any conspiracy or restraints by Hartford in the fields of lehrs and stackers are without foundation and erroneous.

It also follows that the Owens-Hartford agreements respecting lehrs and stackers must be excluded from the agreements found by Paragraph 27 of the decree to be unlawful and that Owens's lehr patents and stacker patents must be eliminated from the impact of those provisions of the decree which in substance expropriate the defendants' patents, whether permanently or until the effects of the alleged illegal acts have been dissipated. Patents never illegally employed may not be expropriated for the benefit of third parties, either permanently under the Department of Justice's theories of compulsory licensing or temporarily under the rule of the *Morton Salt* case.

APPENDIX B

List of
United States Suction Art Patents Not Owned by Owens

Patentee	*Patent Number*	*Issue Date*	*Ownership*
Koenig	877091	1/21/08	United States
Cox	880482	2/25/08	United States
Koenig	940165	11/16/09	United States
Stutz	1007156	10/31/11	United States
Stutz	1037362	9/3/12	United States
Stutz	1037363	9/3/12	United States
Stutz	1037364	9/3/12	United States
Stutz	1037366	9/3/12	United States
Steelman	1078965	11/18/13	United States
Abbott, Jr.	1116340	11/3/14	United States
Holmes	1133244	3/23/15	United States
Thompson	1177289	3/28/16	United States
Kadow	1191317	7/18/16	United States
Kadow	1195588	8/22/16	United States
Wilzin	1292940	1/28/19	French
Wilzin	1297981	3/18/19	French
Roirant	1311249	7/29/19	French
Ferguson	1371085	3/8/21	United States
Roirant	1438665	12/12/22	French
Moorshead	1445345	2/13/23	English
Bergman	1499334	7/1/24	United States
Glaspey	1560158	11/3/25	United States
Roirant	1579396	4/6/26	French
Peiler	1617220	2/8/27	Hartford
McNish	1626548	4/26/27	English
Peiler	1626575	4/26/27	Hartford
Roirant	1671997	6/5/28	French
Peiler	1692858	11/27/28	Hartford
Hunt	1720552	7/9/29	English
Hunt	1739145	12/10/29	English
Hillman	1747438	2/18/30	German
Hunt	1755957	4/22/30	English
Hillman	1761665	6/3/30	German
Peiler	1764805	6/17/30	Hartford

Patentee	*Patent Number*	*Issue Date*	*Ownership*
Peiler	1785209	12/16/30	Hartford
Hillman	1787312	12/30/30	German
Arbeit	1790633	1/27/31	Hartford
Peiler	1791323	2/3/31	Hartford
Arbeit	1805796	5/19/31	Hartford
Canfield	1811075	6/23/31	Hartford
McNish	1825082	9/29/31	English
Canfield	1835758	12/8/31	Hartford
Canfield	1859232	5/17/32	Hartford
Canfield	1859235	5/17/32	Hartford
Peiler	1862979	6/14/32	Hartford
Peiler	1871556	8/16/32	Hartford
Brown	1874168	8/30/32	United States
Moorshead	1875099	8/30/32	English
Peiler	1878597	9/20/32	Hartford
Lorenz	1882548	10/11/32	Hartford
Stuckey	1884357	10/25/32	United States
Waugh	1885660	11/1/32	Hartford
Waugh	1885661	11/1/32	Hartford
Canfield	1885682	11/1/32	Hartford
Lorenz	1885739	11/1/32	Hartford
Peiler	1904325	4/18/33	Hartford
Peiler	1907570	5/9/33	Hartford
Peiler	1914155	6/13/33	Hartford
Peiler	1914157	6/13/33	Hartford
Harding	1927438	9/19/33	Hartford
Morton	1928599	9/26/33	United States
Peiler	1937913	12/5/33	Hartford
Canfield	1941878	1/2/34	Hartford
Peiler	1955765	4/24/34	Hartford
Lorenz	1974824	9/25/34	Hartford
Bethel	1979661	11/6/34	Hartford
Smith	1986766	1/1/35	Hartford
Hiller	1992948	3/5/35	Hartford
Bridges	2015662	10/1/35	United States
Fechoz	2020462	11/12/35	French
Roirant	2021670	11/19/35	French
Canfield	2030810	2/11/36	Hartford
Bridges	2071295	2/16/37	United States

Patentee	*Patent Number*	*Issue Date*	*Ownership*
Moorshead	2081895	5/25/37	English
Smith	2089008	8/3/37	Hartford
Tremblay	2094626	10/5/37	United States
Waugh	2095896	10/12/37	Hartford
Howard	2098186	11/2/37	Hartford
Canfield	2106546	1/25/38	Hartford
Tremblay	2115051	4/26/38	United States
Roirant	2134342	10/25/38	French
Armytage	2147393	2/14/39	English
Mitchell	2151864	3/28/39	English
Tremblay	2168833	8/8/39	United States
	Furnaces for Suction Only		
Steelman	1145815	7/6/15	United States
	Miscellaneous—Suction Only		
Ashley	416149	12/3/89	English
Cox	851163	4/23/07	United States
Schram	1013451	1/2/12	United States
Byrd	1444327	2/6/23	United States
Hall	1499526	7/1/24	English
Hunt	1722247	7/23/29	English
Hunt	1853276	4/12/32	English
Peiler	1882091	10/11/32	Hartford
Smith	1901934	3/21/33	Hartford
Peiler	1910856	5/23/33	Hartford
Peiler	2008312	7/16/35	Hartford
Canfield	2010774	8/6/35	Hartford
Bates	2078919	4/27/37	Hartford
	Revolving Pots, etc.		
Cox	854273	5/21/07	United States
Dixon	1002234	9/5/11	United States
Dixon *et al.*	1035865	8/20/12	United States
Dixon *et al.*	1035866	8/20/12	United States
Moorshead	1716456	6/11/29	English

Patentee	*Patent Number*	*Issue Date*	*Ownership*
Peiler	1721487	7/16/29	Hartford
Nelson	1721968	7/23/29	Hartford
Kutchka	1790820	2/3/31	Hartford
Peiler	1828718	10/20/31	Hartford
Peiler	1864495	6/21/32	Hartford
Bridges	1867440	7/12/32	United States
Peiler	1893060	1/3/33	Hartford
Peiler	1893062	1/3/33	Hartford
Smith	1893063	1/3/33	Hartford
Bridges	1898289	2/21/33	United States
Peiler	1905494	4/25/33	Hartford
Peiler	1905495	4/25/33	Hartford
Moorshead	1907361	5/2/33	English
Rankin	1912306	5/30/33	English
Mulholland	1913311	6/6/33	Hartford
Honiss	1916666	7/4/33	Hartford
Stenhouse	1927101	9/19/33	United States
Peiler	1937479	11/28/33	Hartford
Morton	1978645	10/30/34	United States
Canfield	1988783	1/22/35	Hartford
Waugh	2014075	9/10/35	Hartford
McNish	2021013	11/12/35	English
Roirant	2023745	12/10/35	French
Fechoz	2025581	12/24/35	French
Stenhouse	2026287	12/31/35	United States
Tremblay	2028960	1/28/36	United States
Morton	2038190	4/21/36	United States
Holcombe	2047913	7/14/36	United States—License to Owens 8/23/33
Morton	2059889	11/3/36	United States
Schwalbe	2061213	11/17/36	United States
Moorshead	2063555	12/8/36	English
Stuckey	2063565	12/8/36	United States
Schwalbe	2068515	1/19/37	United States
Pearson	2134838	11/1/38	United States
Pearson	2180767	11/21/39	United States

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Supreme Court of the United States

OCTOBER TERM, 1943

No. [redacted] 4

OWENS-ILLINOIS GLASS COMPANY, *et al.*,
Appellants,

v.

UNITED STATES OF AMERICA,
Appellee.

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF OHIO, WESTERN DIVISION

REPLY BRIEF FOR APPELLANTS OWENS-ILLINOIS GLASS COMPANY AND ITS ASSOCIATED INDIVIDUAL DEFENDANTS

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November 15, 1943.

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Supreme Court of the United States

OCTOBER TERM, 1943

OWENS-ILLINOIS GLASS COMPANY, *et al.*, *Appellants*,

v.

UNITED STATES OF AMERICA, *Appellee*.

No. 9

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF OHIO, WESTERN DIVISION

REPLY BRIEF FOR APPELLANTS

The brief of the Department of Justice makes no substantial attack upon Owens's contention that it has not, since 1935, in any manner violated the anti-trust laws or participated in any patent partnership or pool. The Department has admitted, explicitly as to some and implicitly but equally clearly as to others, that many of the provisions of the decree are improper. It has sought to deter this Court from directing necessary modifications thereof only by urging that such amendments should be left to the discretion of the very court which uncritically adopted the Department's vindictive draft, and that such amendments should be made piecemeal from time to time in the future upon proceedings brought by the appellants at their expense.

POINT I

THE DEPARTMENT BRIEF MAKES NO CHALLENGE OF SUBSTANCE TO THE FACT THAT ON OCTOBER 1, 1935, OWENS COMPLETELY WITHDREW FROM PARTICIPATION AND INTEREST IN THE ANTECEDENT "PARTNERSHIP" OR "PATENT POOL" WITH HARTFORD AND HAZEL, AND THEREAFTER ENGAGED ONLY IN LAWFUL COMPETITION IN THE MANUFACTURE OF GLASSWARE WITHOUT SUGGESTION OF PARTICIPATION IN ANTECEDENT ALLEGED UNLAWFUL ACTIVITIES.

The Department Brief tells in meticulous detail the Department's version of the history of the automatic manufacture of glassware from the first invention of Michael J. Owens at the beginning of the century down to date. It is the belief of all the appellants that there is much of error and much of distortion in that telling.

However, the striking fact, as to the Owens Defendants, is that (with the minor exceptions hereinafter discussed) all the agreements criticized by the Department were entered into, and all the conduct complained of occurred, prior to October 1, 1935. Most of the discussion of the Owens agreements relates to those of 1924 and 1932, the impression left by the text, however, often being that a presently existing situation is being discussed.[1] There is substantially no reference to anything done or participated in by the Owens Defendants after 1933, six years before this suit was brought.

To the clearly established fact that October 1, 1935, marked the complete and final withdrawal of Owens from all the cooperative arrangements affecting the licensing of

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[1]See U. S. Brief, pp. 6-7, 11, 210-25.

glassware machinery, whether between Owens and Hartford and Hazel or between Owens and any other of the defendants,[1] the Department makes no challenge except the oft-repeated assertion that, despite its 1935 withdrawal agreements, Owens "continued to benefit by and participate in the control of the industry through the Hartford licensing system."[2] This generalization is without supporting evidence. It is sought to be supported before this Court, as it was below, by a few captious criticisms of the provisions of the 1935 agreements and by a summary catalogue of twenty alleged "instances of participation by Owens in conspiracy subsequent to 1935 agreements."[3] Even the petty and theoretical points to which the Department's criticisms of the 1935 agreements are directed were obviated before the decree was entered. The twenty alleged instances of post-1935 conduct complained of involve several duplications and their description in Appendix, Section VIII, of the Department Brief[4] runs the whole gamut of misrepresentation from false innuendo attached to innocent facts down to flat falsehood.

(1) The Validity of the Owens 1935 Withdrawal Agreements.

This Court will remember from the discussion contained in the Owens Main Brief[5] that prior to October,

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[1]The membership of Owens in the Glass Container Association, if in violation of the anti-trust laws as alleged by the Department, is a violation entirely apart from the alleged restraints and monopolies affecting patents and glassware machinery.

[2]U. S. Brief, p. 194. See also pp. 258, 315, 320, 327.

[3]U. S. Brief, p. 434.

[4]P. 434.

[5]Pp. 20-2.

1935, Owens had for some time been considering abandoning its efforts to be both a manufacturer and a patent licensor and ridding itself of the difficult business and legal problems involved in the licensing business.[1] Accordingly, on October 1, 1935, Owens entered into agreements, primarily with Hartford, but also some with Hazel, under which all its antecedent agreements with both Hartford and Hazel were canceled.

The Department seems to assert that an anti-trust law violator cannot purge himself of a violation merely by canceling all his illegal arrangements and thereafter living within the law. It seems to assert that he must shout from the housetops a public confession of sin and thereafter engage in a missionary campaign to "oppose" his previous associates.[2] Hence the Department contends that cancela-

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[1]Neither Levis nor Williams denied below, as erroneously stated by the Department (U. S. Brief, pp. 114-5, fn. 71), that a desire on the part of Owens to be rid of anti-trust problems was one of the factors motivating the 1935 agreements. Levis's cited testimony is a denial that he had ever heard that the Government had been investigating Hartford's contracts. (R. 2242). Williams was cross-examined by the Department to sustain its then contention that the 1935 agreements were "because of the change of administration in 1933, and a greater activity in connection with Anti-Trust matters." His denial was merely that he didn't "remember any discussion with Hartford on that question." When asked whether there was any "discussion with the Owens people," his testimony was:

> "A. I don't think there was any discussion that indicated any rise or substantial increase in the——
>
> "Q. Risk?
>
> "A. Well, risk is not quite the word that gives the right connotation. What I tried to say—I always had —in all these contracts—that is one of the factors—I always took into consideration the Anti-Trust Laws * * *." (R. 3677-8).

[2]U. S. Brief, p. 327.

tion and abandonment by Owens of all its antecedent relationships was not, alone, enough to save Owens from punishment for those relationships in an equity decree. Apparently the Department thinks Owens either should have shut up shop in 1935 or, declining such Hartford licenses as it needed[1] and refusing the rest of the industry such licenses under any Owens inventions as the industry needed in connection with Hartford apparatus, should have limped along with its own patents while engaging in general free-for-all patent litigation with everyone else in the industry.

But in a practical world Owens had to get on with the manufacture of glassware, which the public needed and which Owens wanted to supply efficiently and cheaply, and of course profitably. So Owens had to do something more than merely cancel the antecedent agreements and indulge in wasteful patent warfare.

Owens was manufacturing approximately 20% of its output on feeder-former apparatus leased from Hartford.[2] Concededly it could not have substituted machinery made under its own patents.[3]

The Hartford machines also incorporated many Owens inventions, and to attain real efficiency Hartford had to retain their use.[4] More than 280 Hartford machines embodying Owens inventions were in use by more than 40 other Hartford licensees.[5]

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[1]Compare its statement as to the Hazel licenses. U. S. Brief, pp. 273-4.

[2]R. 6486.

[3]R. 1931-3.

[4]R. 1932-3; Ex. H-6104 (R. 6682, 11064-6).

[5]Exs. 1584 (R. 3941, 8107-33), H-5749 (R. 5732, 15435), H-5750 (R. 5733, 15436-50), H-6104 (R. 6682, 11064-6), H-6152 (R. 6737-8, 8571-95).

It was therefore absolutely essential, as a practical matter, that new licensing arrangements be made. Accordingly, the cross-licenses were granted which are described in detail in the Owens Main Brief.[1] All but one of the interchanged licenses (that from Hazel to Owens in suction, which, because Hazel had no important suction inventions, was theoretical rather than real) were originally non-exclusive, and even the theoretical Hazel grant was made non-exclusive before the end of the trial.[2] The important grant from Owens to Hartford in the feeder-former field was also an unrestricted license. While the other licenses, as originally exchanged, were limited to the fields of use in which the licensees were at the time engaged, all such limitations were also removed before the end of the trial. At the time of the entry of the decree all of the licenses involved in the 1935 agreements were both non-exclusive and unrestricted.

Owens's 1935 suction license from Hartford was not, as the Department Brief erroneously asserts,[3] something more favorable to Owens than the antecedent arrangement. Under the 1932 agreements Owens not only had its then existing suction machines licensed under the Hartford suction patents but Owens had a continuing option to take, in respect of any or all Hartford suction patents, a non-exclusive license or an exclusive license or to purchase the patents outright, including full rights of manufacture and sale.[4] This option was canceled in 1935.

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[1]Pp. 22-5.

[2]FF 445 (R. 7368).

[3]U. S. Brief, pp. 115-6. Note the Department's admission in conflict with this assertion, U. S. Brief, p. 105.

[4]Ex. 147 (R. 917, 8805, 8807). See U. S. Brief, p. 105.

The Department repeats in its brief in this Court the criticisms of the Owens 1935 withdrawal agreements made before the District Court and which have been analyzed in the Owens Main Brief.[1] The Department also now purports to have found a new element of invalidity in the 1935 agreements, which it attempts to accent by misrepresenting the effect of one of the 1935 agreements between Owens and Hazel.[2]

The 1932 Hartford-Hazel agreement passed along to Hazel, for defined fields, rights under the feeder-former inventions of Owens obtained by Hartford through the 1935 Owens-Hartford agreement. Among the 1935 agreements was one[3] which provided in substance that, in the event Hazel should cease to be licensed by Hartford, Hazel should have the same license directly from Owens, as to the Owens feeder-former inventions, that it would otherwise have had indirectly through Hartford. This contingent license was naturally (and obviously automatically) of the same scope as the Hartford license to Hazel.[4] Hence it did not include a right on Hazel's part to use Owens's inventions in the so-called "Corning field," which was not

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[1]Pp. 28-86.

[2]U. S. Brief, p. 318.

[3]See Owens Main Brief, p. 23, fn. 1.

[4]The 1935 contingent license to Hazel gave Hazel licenses in the fields of milk and cream bottles and hot and paste mold tumblers which Hazel did not have under the original 1932 Hartford-Hazel license. However, following the 1932 license, Hazel did obtain from Hartford a milk and cream bottle license. (R. 2450-3). At about the time of the 1935 contingent Owens-Hazel license Owens was in process of acquiring Libbey, which had an effective tumbler machine, in respect of which Hazel requested and obtained rights. (Ex. 572 (R. 1380, 9128-45)).

included in the Hartford license, in which Hazel was not engaged and as to which there is no evidence that it requested or could have used any rights. The contingent license did not, as the Department erroneously asserts,[1] "exclude Hazel from Corning's fields of ware." Hazel was free, as against Owens, to go as far as it wanted in the manufacture of Corning field ware so long as it did not infringe any valid patents of Owens. Since the scope of the license did not include the Corning field, Hazel was free even to use the Owens inventions in the manufacture of Corning field ware if, as the Department seems to suggest,[2] Owens had no effective patents. The admission of validity implied in the license did not extend to the Corning field. Furthermore, the contingency upon which this license was to become effective never happened. And finally, the limitation of fields in this license also was removed, before the trial below ended,[3] as part of the effort by Owens to remove from every one of its agreements with any of the appellants or any others in the glassware industry every exclusive or restrictive provision within the most meticulous criticisms developed by the Department during the trial.

The charge of the Department that this supplemental Owens-Hazel license was "a voluntary step to protect the Corning monopoly" through which "Owens has continued to participate in the conspiracy since 1935"[4] and that it rendered the 1935 agreements invalid, is without a shadow of foundation.

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[1]U. S. Brief, p. 319.
[2]U. S. Brief, pp. 51-2.
[3]FF 522 (R. 7380).
[4]U. S. Brief, p. 320.

The 1935 agreements were lawful agreements and left Owens without the slightest participation or interest in any "partnership," either "active" or "silent", or in any "patent pool."

(2) Freedom of Owens from any "Participation in the Conspiracy Subsequent to the 1935 Agreements."

The Department Brief, in Appendix, Section VIII, purports to list twenty "instances of participation by Owens in conspiracy subsequent to 1935 agreements." Many of these alleged "instances of participation" are merely repetition of the Department's criticisms of the 1935 agreements. Several of them are duplications and several of them have no basis other than the Department's imagination. Most of them have already been discussed in detail in the Owens Main Brief[1] and extended discussion will not be repeated here. They will, however, be briefly commented on *seriatim.*

> "1. *Owens recognized that its cancellation in 1935 of its agreement with Hartford not to use or to grant sublicenses under its direct license from T. R. & B. was more a matter of form than of substance.*"

As explained in the Owens Main Brief,[2] Owens, in 1925, acquired directly from T. R. & B. a non-exclusive license, including the right to manufacture and sell, under the T. R. & B. patents and applications, which were thereafter acquired by Hartford. Upon Hartford's acquisition of the T. R. & B. patents, not only did Owens's 1924 Hartford license create an additional license from Hartford to use those patents, but Owens also obtained from Hartford a specific license under the Hartford inventions in interfer-

[1]Pp. 28-86.
[2]Pp. 53-6.

ence with the T. R. & B. patent applications under which it agreed not to use its direct T. R. & B. license so long as this special Hartford license was effective. This special license from Hartford was canceled in the general cancelation of 1935. Accordingly any restraint on Owens's use of its direct T. R. & B. license was thereby removed.

The reference in the above quotation from the Department Brief is to an undated and unsigned memorandum, whose date and authorship was never fully identified. It was to the substantive effect that notwithstanding the cancelation of the *Hartford* license under the T. R. & B. claims, Owens could safely go ahead using the T. R. & B. inventions *under the direct T. R. & B. license.* The memorandum does not contain any expression remotely connoting that the arrangement was "more a matter of form than of substance." But, if it was, the Department concedes that it preserved to Owens the right to compete with Hartford in using T. R. & B. inventions.[1] Certainly that was more clearly lawful than would have been the cancelation of Owens's direct rights from T. R. & B., which the Department now seems to urge would have been the only valid course.

References to this memorandum in the Department Brief (first at pp. 113-4 and then at pp. 323-5) might, upon casual reading, create the impression that the memorandum was relied upon by the Department to support an alleged recognition by Owens of a contrast of "form" with "substance" in connection with all the 1935 Owens withdrawal agreements. After discussion of various provisions of the 1935 agreements, the Department Brief refers, without break in the text, to the cancelation of the Hartford license under the Hartford claims in interferences with the T. R. & B. claims, without cancelation of Owens's direct

[1]U. S. Brief, pp. 114-5, 325-6.

T. R. & B. license. Then, says the Department Brief, again without break in the text, "Owens recognized, however, that the change was one in form only" (again citing the unsigned, undated memorandum above referred to). There follows immediately another reference to "the details of the 1935 contracts." This Court should not, by this draftsmanship, be misled into believing that the memorandum had any connection with anything but the T. R. & B claims or that the agreements which divorced Owens from participation in the "partnership" or "patent pool" with Hartford and Hazel were, either in fact or in Owens's mind, mere matters of form rather than of substance.

> *"2. Owens, under the 1935 agreement with Hartford, received $2,500,000 in quarterly payments until March 1938, in lieu of what Owens might have expected to receive under the 1932 contract."*

When any patentee sells a paid-up license the consideration is in a sense "in lieu of what" the patentee "might have expected to receive" as royalties.

The inventions of Owens were used in Hartford machines, had value, and were necessary if those machines were to be thoroughly effective.[1] In 1935, the Owens inventions were embodied in more than 280 machines then in use by more than 40 other Hartford licensees.[2] Owens sold the unrestricted (non-exclusive) right to use, for the lives of the patents issued upon them, not only those then existing Owens inventions and not only for the benefit of the then existing Hartford licensees, but also any Owens inven-

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[1]R. 1932-3; Ex. H-6104 (R. 6682, 11064-6).

[2]That is, all but about 12 of Hartford's licensees. See p. 5, fn. 5, *supra.*

tions made during the ten years, 1935 to 1945, and also for the benefit of all future Hartford licensees. For all these rights, $2,500,000 was a cheap price to the industry.[1] But the merits of the price are not a relevant question in this case and were not at issue in the trial below.

> *"3. Owens received its share of Ball Brothers' infringement damages paid to Hartford after October 1, 1935."*

The amount of these damages had been liquidated prior to October 1, 1935, and they represented an account receivable accrued before that date in which Owens had an interest.[2]

> *"4. Levis, president of Owens, consulted H. C. Mandeville, chairman of the board of directors of Thatcher, concerning a joint acquisition of a milk bottle company."*

This incident, in November, 1935, had no relationship to Owens. The discussion related to a proposed stock pur-

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[1]As the license had a minimum of 27 years to run (17 years after the ten year invention period), the consideration was less than $100,000 per year for the more than 52 Hartford licensees, or an average of less than $1,925 per year per licensee. Disregarding all Owens patents existing in 1935 and disregarding also the 17 year licensing period following the ten year invention period, the consideration was $250,000 per year of invention, or an average of less than $4,900 per Hartford licensee. As Hartford had a royalty income in 1935 of $3,959,876, the average Hartford licensee paid $76,151 in royalties. Therefore, even on the 10 year basis the burden of the Owens patents was only 6.5% of the royalties, while on the 27 year basis the burden was 2.5%. (Exs. 415 (R. 1275, 7926, 7928A), 1584 (R. 3941, 8107-33)).

[2]Ex. 762 (R. 1940, 13446-7).

chase by Levis, individually. There is no evidence in the Record (and there could in fact be none) that any such purchase was ever made.

> "5. *Levis continued to hold shares of Thatcher's stock on behalf of himself and other directors of Owens, as well as for Illinois Glass.*"

This is another incident with which Owens had no connection.

As explained in the Owens Main Brief,[1] Illinois Glass, after 1929, was not a glass manufacturing company but a family investment trust of Levis. In early 1935, before the Owens October, 1935, withdrawal agreements, Illinois Glass acquired 10,000 shares, or less than 7%, of Thatcher's stock, all of which was distributed in the liquidation of Illinois Glass in September, 1938, more than fifteen months before the filing of the complaint in this case. Levis had disposed of his shares before this action was brought.[2]

> "6. *Quay continued to represent Levis on Hazel's board of directors.*"

This is a third incident affecting Levis personally and with which Owens had no connection.

The Levis family investment trust bought 25,000 shares of Hazel stock, or less than 6%, in 1933 and in connection therewith Levis became a director of Hazel. In August, 1935, he ceased to be a director and Quay continued to keep him advised in respect of his investment. The

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[1]Pp. 80, 101.

[2]Ex. 1595 (R. 3941, 8155, 8190).

20,000 shares still held by Illinois in September, 1938, were distributed in liquidation and Levis had sold all his shares before the filing of the complaint in this case.[1]

> *"7. After consultation with Hartford, Owens purchased the equipment of Rawleigh Glass Company in March 1936 in order to take this equipment off the market."*

As explained in the Owens Main Brief,[2] this was a purchase by Owens from a subsidiary of a proprietary medicine concern in connection with the Owens contract to supply that concern with its bottle requirements. The machinery was not purchased "in order to take the machinery off the market" but to relieve Owens's customer of idle machinery, useless to the customer but for which Owens had a use in replacement and repairs. The consultation with Hartford was to ascertain whether, in determining the price to be paid for the machinery, there was any necessity of taking into account possible damages on a claim by Hartford that the machinery infringed Hartford patents.

> *"8. Owens continued to participate in the activities of the Association."*

The alleged violation of the anti-trust laws by the Glass Container Association is separate from the alleged patent "partnership" or "pool" and is separately dealt with in the brief on behalf of the Association. Assuming that all the Department contends against the Association is well founded, the Association violations furnish no basis for the patent

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[1]See Owens Main Brief, pp. 101-2.

[2]P. 53.

expropriations and patent injunctions contained in the decree.

"9. Owens retained its exclusive suction license from Lynch."

In 1933, Owens acquired from Lynch an exclusive license in the suction field. While Lynch was a manufacturer of feeder-fed formers and in that field might develop some improvement also useful in suction, it never had made suction apparatus.[1] No one but Owens was using suction apparatus in 1933.[2] Hence, the arrangement with Lynch did not and could not have restrained trade or resulted in any monopoly. In any event, however, the captious criticism of the Department was obviated in February, 1940, before the trial began, by making the license non-exclusive.[3]

"10. *Owens and Lynch agreed that Lynch would not sell its PGB machines to others than Owens.*"

PGB machinery, *i.e.*, machinery to make pressed glass blocks, is expressly excluded from the scope of the decree. The machine in question, however, was not the property of Lynch, but was the joint development of Owens and Lynch from which Owens had a clear right to exclude others. In so far as Lynch made its own PGB machines, there is not the slightest evidence that Owens ever sought to influence Lynch sales.[4]

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[1]U. S. Brief, p. 131, fn. 1.

[2]Except perhaps one machine by Knox and some machines by Ball which was in the process of discontinuing use of suction. (R. 1558, 3028-30, 3033, 3073, 6561).

[3]Ex. LC-5096B (R. 3456, 9558).

[4]See Owens Main Brief, pp. 67-8.

This is one of the three situations affecting Owens in which the District Judge struck the Department's proposed Finding from the Department's draft Findings of Fact, which otherwise the District Judge accepted substantially verbatim and as a whole.[1] Apparently, therefore, the District Judge gave the Department's contention no credence.

> "11. *Hartford turned down two applicants for licenses in Texas, after consultation by its president with the president of Owens.*"

This alleged episode is nothing but the imagination of the Department. The only evidence remotely resembling any such episode relates to a telephone conversation between two subordinates, one of Hartford and one of Owens, in July, 1937, as to whether Owens was planning to build plants in Texas. The Owens employee replied by letter that Levis, President of Owens, had explained the Owens Texas plans to F. G. Smith, President of Hartford.

There is not the slightest evidence in the Record that in 1937 there were any Texas applicants for Hartford licenses. That there were none seems to be demonstrated by the fact that Section I of Appendix of the Department Brief,[2] purporting to list "The thirty applicants to whom Hartford refused to lease its equipment or whom it discouraged from manufacturing glassware," contains no reference to any such applicants. The only concerns mentioned in Section I as having been refused Hartford licenses

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[1]See Owens Main Brief, p. 27.
[2]U. S. Brief, p. 416.

in 1937 are Sandy Valley Grocery Company, which is located in Kentucky, and Mantle Lamp Company of America, located in Indiana.[1]

There was an earlier 1935 episode involving alleged refusal by Hartford of licenses in Texas (but which did not involve Owens) which was given much publicity in the T.N.E.C. investigation and thereafter in Congress. Members of this Court, who may remember that discussion, should not confuse the facts of 1935 with the Department's fiction of 1937.

> "12. *Appellant Belknap of Owens secured a promise from appellant I. J.Collins that Anchor Hocking would not start to market heat-resistant ware without prior discussion with Corning.*"

This was a casual conversation in which Belknap, wholly disassociated from any Owens interest, passed on to Collins of Anchor-Hocking a statement by Houghton of Corning that Houghton hoped Collins would not enter upon what Houghton thought would be an infringement of Corning patents without first speaking to Houghton.[2]

Certainly a decent personal business conversation of this sort cannot furnish the slightest support for a charge of "participation in the conspiracy" by Owens, or be the basis of the perpetual impact of the decree here upon Belknap's personal properties and business, disassociated from any connection with Owens.

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[1]Exs. 506 (R. 1334, 13115-7), 507 (R. 1335, 13118), 508 (R. 1335, 13118-9).

[2]See Owens Main Brief, pp. 59-60.

"13. *Owens tried to dissuade Corning from going into the container field.*"

This is treated under the heading, "The Tumbler Episode," in the Owens Main Brief.[1]

An Owens officer wrote a superior that he had heard that Corning was planning to go into tumbler manufacturing and hoped Corning could be dissuaded. The superior did not accept the suggestion.[2] Owens granted Corning a license to enable Corning to enter the tumbler field and Corning went into the field.[3]

This situation is another of the three in respect of which the District Judge refused the Department's proposed Finding of Fact, and therefore as to which he did not sustain the Department's contention below.

The statement in the Department Brief is worse than sheer fabrication; it is flatly false upon the Record.

"14. *Hartford refused an application for a license by Day of Detroit because it was unable to obtain the consent of Owens which, by agreement between them, was necessary before any new license could be granted.*"

Hartford never refused a license to Day. There is no valid evidence that Owens ever sought to influence Hartford to refuse such a license. There was no such agreement between Hartford and Owens.[4]

But there was a man named Day. He was not a glass manufacturer, but a promoter. He inquired of Hartford as to a license for his promotion scheme but never went

[1]Pp. 60-1.
[2]R. 1950-1.
[3]R. 5543; Ex. O-5187 (R. 3355, appeal record 19761-3).
[4]See Owens Main Brief, pp. 49-51.

through with an application by furnishing evidence of responsibility. Admittedly, there never was a refusal of a license. Schwenzfier, a former Hartford employee,[1] however, says that during the negotiations a Hartford officer, Eldred, had told him that there was an arrangement between Owens and Hartford for joint action on any application to either for licenses. This hearsay was denied not only by Eldred but also by everyone else concerned.

> "15. *Owens continues to own patents covering the stationary pot and other inventions acquired from O'Neill.*"

It is the fact that in 1933, when nobody but Owens was interested in the suction field, Owens did acquire certain patents of O'Neill covering suction apparatus in order to obtain the right to use the "overhanging lip" feature of a stationary pot which Owens was trying to develop. It is true that Owens still owns the patent, but it is also true, both that no one other than Owens could have any possible use for it, and that Owens's attempts to make anything of it were unsuccessful.[2]

> "16. *Owens, until January 1942, had an exclusive license from Hazel on its suction inventions.*"

That Hazel never had any suction inventions has already been pointed out, both in the Owens Main Brief[3]

[1]The lack of bias on the part of Schwenzfier, on which the Department lays emphasis (U. S. Brief, p. 323, fn. 77a) is open to doubt. He admitted leaving Hartford because of a difficulty with Eldred, the very man to whom he ascribed the statement regarding the alleged arrangement between Owens and Hartford. (R. 2264).

[2]See Owens Main Brief, pp. 70-2.

[3]P. 37.

and above. The Department's statement, itself, however, indicates that the exclusivity of the license was eliminated before the decree was entered.

> "17. *The ware restrictions in Hartford's 1935 license to Owens were not removed until January 1942.*"

The Owens Defendants repeat the query put in their Main Brief:[1] By what possible reasoning was it a violation of the anti-trust laws *by Owens* that Hartford did not include in Hartford's 1935 license to Owens a field non-competitive with Owens in which Owens had never engaged?[2] Again, however, as the Department's statement

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[1]Pp. 29-30.

[2]Owens did not, as erroneously contended by the Department (U. S. Brief, pp. 172-3, 243) covenant "not to produce articles excluded under the license agreement." The Department cites an opinion by Hartford counsel which it misrepresents as expressing the view that a clause, "the following articles are expressly excluded and shall not be produced under this license," constituted a covenant not to produce the excluded articles at all. Of course any such opinion by Hartford counsel would not have bound Owens, and would clearly have been wrong. But the very opinion cited by the Department in fact advised Hartford that Owens was free to produce the excluded ware on any apparatus not falling within the coverage of Hartford patents. In that opinion Hartford's counsel said: "However, Owens does have unrestricted rights under the Tucker, Reeves and Beatty patents (acquired in 1925) and if it were possible for Owens to build a feeder under those patents which does not infringe Hartford's patents Owens would be at liberty to use such a feeder in the making of pyrex insulators. Likewise any feeder Owens designs that does not fall within Hartford's patents can be used by Owens in the making of pyrex ware." (Ex. 377 (R. 1207, 12944-5)).

shows, the restriction *upon Owens* was removed *by Hartford* before the decree was entered.

> "18. *Control of licensing of suction continued to be allotted to Owens and control of licensing of gob feed to Hartford; and Owens continued to be excluded from Corning's field under the 1935 agreements.*"

The fiction of the "allotment," by agreement, of the gob-feeding and suction fields as between Hartford and Owens, as well as the failure of the Hartford license to Owens to include the Corning field (the latter a duplication of 17, *supra*) has been discussed at length in the Owens Main Brief.[1] In so far as suction has been "allotted" to Owens it has been by the voluntary discontinuance of the use of suction by all manufacturers other than Owens, including Owens's licensees.[2] In so far as the feeder-former field has been "allotted" to Hartford, the allotment is the result of Hartford's dominating patents.

The Department's misrepresentations of the patent situation since 1935 will be further discussed below.

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[1]Pp. 28-31.

[2]The only Record references cited by the Department Brief (pp. 43, fn. 72, 53, fn. 86, 59, 349, fn. 96) in support of this alleged allotment are Exs. 33, 34, 35, and 631 and the Peiler testimony (R. 4689). The first three of these Exhibits were written in 1922 and expressed proposed arrangements which were never adopted in writing, orally, or otherwise. Exhibit 631, written in 1932, expresses the determination of Owens not to have any contact or dealings with Hartford in connection with suction. The Peiler testimony (cited only in part) merely stated that Owens had done so much and Hartford had done so little in suction that Hartford in 1924 "couldn't have touched them at the then stage of the game."

"19. *Owens continued to restrict its production of fruit jars, pursuant to an oral understanding with Hazel, Hartford and Ball.*"

This charge, constantly reiterated throughout the Department Brief,[1] that such a 1933 oral agreement existed and survived the 1935 agreements, is disproved, not alone by the denials of all the parties to the alleged agreement, but also by the factual background of Owens's fruit jar business.[2]

The evidence is undisputed that Ball asked for such a limitation in 1933 but that it was abandoned because counsel for the parties advised that it would be invalid.

As to Owens, not only has there never been any such restriction, but the business facts demonstrate that there could not have been any. The Owens fruit jar business is not under the sole control of Owens. It is, in effect, a joint venture between Owens, which manufactures the glass, the Aluminum Company, which manufactures the caps, and the Cupples Company, a jobber in the grocery trade, which not only manufactures the rubber rings but also handles all the selling. This business arrangement compels Owens to produce, for sale by Cupples, as many fruit jars as Cupples can sell.[3]

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[1]Pp. 15, 151-4, 259-60, 290, 339.

[2]See Owens Main Brief, pp. 63-4.

[3]Owens did in fact sell more than 100,000 gross, the amount of the alleged limitation, in 1935, and upon such sales its percentage of the industry's entire fruit jar business was 8%. Owens never exceeded 9.4% of the industry business which it attained in 1931. To have exceeded 100,000 gross Owens would have had to sell the following percentages of the total industry business: for 1936 12.2%, for 1937 8.3% (it did actually sell 95,530, or 7.9%), for 1938 11.7%, and for 1939 11.3%. Had Cupples been able to effect sales of Owens's production to such increased percentages of the total industry sales, the Department

"20. *In the 1935 Owens-Hazel contract, Owens' contingent license to Hazel excluded Corning's fields of ware.*"

This is the new Department criticism of the 1935 agreements on the ground that the contingent license by Owens to Hazel under the Owens feeder-former patents was of the same scope as Hazel's license under the same patents through Hartford. It has already been discussed, *supra*, pp. 7-8.

Of the 20 alleged illegal acts five (2, 16, 17, 18, 20) are merely the Department's criticisms of provisions of the 1935 agreement which have been discussed in the Owens Main Brief and above. Four (4, 5, 6, 12) do not relate to Owens at all, but to personal transactions of Levis and Belknap.

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would now be asserting those increases as evidence of Owens's elimination of its competitors in "domination" of the fruit jar field. The fact is that the relative position of Owens in the fruit jar field has been steadily deteriorating since 1931. (Ex. 947 (R. 2444, 13593)).

The Department Brief also questions (p. 289) the statement of the Owens Main Brief (p. 82) that at the time of the trial Owens was meeting competition in the fruit jar field from at least 8 other producers besides Ball and Hazel. The Exhibit cited in the Owens Main Brief shows that the Hartford licensees, Anchor-Hocking, Armstrong, Brockway, Fairmont, Glass Containers, Inc., Olean and Tygart Valley, all had licenses which did not exclude the fruit jar field. And the 1939 Glass Factory Directory, compiled by the Budget Publishing Company, publishers of the National Glass Budget, lists all of these concerns as manufacturers in 1939 of fruit jars, mason jars, packers' and preservers' ware and food containers which as the Department states (p. 290) are "capable of being used by a packer to be filled with his product and by the housewife for canning." In addition to the foregoing companies, the Record shows that Kerr was engaged in such manufacture. Since October 8, 1940, every Hartford licensee has been free to manufacture fruit jars.

Three (1, 9, 15) relate only to Owens's retention after 1935 of unimportant patent rights acquired in 1925 and 1933. One (8) deals merely with Owens's membership in the Container Association, and another (19) relates to an alleged restraint by Ball upon Owens, not a restraint by Owens. Thus out of the purported list of 20 post-1935 illegalities, only six acts relate to acts by Owens after 1935. As to two of these (10, 13) the District Judge rejected the Department's contentions. As to the remaining four, two (Owens's collection of an account receivable from Ball (3) and Owens's acquisition of the idle Rawleigh machinery (7)) were clearly lawful acts. The remaining two relate to alleged refusals of licenses by Hartford at Owens's suggestion. The Day incident (14) involved no refusal in fact, and the implied Owens influence upon Hartford's action is supported only by hearsay evidence, denied by everyone concerned, of a Hartford employee who had left employment after a disagreement with Hartford. The alleged Texas 1937 episode (11) is, upon the evidence of the Department Brief itself, a pure myth.

The Department has scraped bottom to dig up its twenty dregs of evidence to support its baseless charge that Owens since 1935 "has continued to participate in the conspiracy." Considered separately each of these bits of evidence is without substantial significance. Considering the Section VIII catalogue as an entirety, the striking thing about it is that, after years of digging through the Owens files, the Department has been unable to find anything more of substance to stimulate its imagination. That alone discredits the Department's charges as to Owens's conduct since 1935.

(3) Absence of any Control by Owens of any Automatic Process for Glassware Manufacture.

The Department Brief opens its "Argument" with the following statement:[1]

> "When this suit was brought, * * * Owens and Hartford controlled the automatic processes which produced ninety-six percent of all glass containers manufactured in the United States. No one could obtain automatic machinery to produce glass containers except with the consent of these two appellants."

This is an indictment of dramatic force.[2] As to Owens, it is brazenly false.

As to automatic processes affecting annealing machinery Owens never had any participation in Hartford's licensing, or indeed any patents of importance.[3]

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[1]P. 199.

[2]But of doubtful legal significance if the control were based upon complementary patents.

[3]See Owens Main Brief, Appendix A, pp. i-xviii. The Owens 1933 suggestion of a "unit plan" for the leasing of automatic machinery for the entire process of glassware manufacture, which was urged below as participation by Owens in a conspiracy relating to annealing machinery, but which was never considered seriously by Hartford or anyone else in the industry, is by the present Department Brief apparently regarded as having been a valuable suggestion. Indeed, the fact that the rest of the industry did not adopt it seems now to be criticized. U. S. Brief, p. 128.

As confirming Owens's contention that it never participated in any of Hartford's alleged attempted restraints or monopolizations of annealing machinery, it is material to note (1) that the first discussion of lehr and stacker machinery in the Department Brief (p. 13) does not even mention Owens; (2) that the claim of the Department below that Owens had some special favors in the annealing field from Hartford is abandoned in the present Department Brief; (3) that the first reference (pp. 136-

As to feeder-former apparatus, Owens patents, while essential to the most efficient machinery, do not so control the field as to prevent the manufacture of effective machines without the use of Owens inventions.[1] By the 1935 agreements Hartford received an unrestricted right to use and sublicense those inventions. Owens did not retain, and has never since 1935 sought to exercise, the slightest right to interfere with or have any voice in Hartford's licensing under them.

But it is with respect to the suction field that the reckless falsity of the above-quoted statement from the Department Brief is most patent.

All basic suction patents had expired by 1921. All important improvement patents had expired by 1933. This was common knowledge not only to those active in the industry but also to others contemplating entry into the in-

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7) to the alleged threats against Amsler-Morton, a competitor in the lehr field of Simplex (the obvious prospective buyer of the Amsler-Morton assets), correctly states that while two of the three individuals alleged to have made the threats had connections with Owens, one of them, Collin, was a promoter, another, Hazelton, was a Simplex stockholder, and the third person was a Simplex officer having no interest in Owens; while the third and last time the Department Brief mentions the Amsler-Morton episode (pp. 284-6) accuracy has vanished. Neither the fact that Collin was a promoter nor the fact of Hazelton's interest in Simplex is stated and the transaction is misrepresented as an Owens rather than a Simplex matter. It is also to be noted (4) that both these Amsler-Morton threats and Owens's alleged furnishing of evidence in a Hartford suit against an Amsler-Morton licensee for infringement of Hartford's lehr patents occurred in 1934.

It is therefore beyond question both that no patents of Owens in the annealing field have ever been subject to impairment under any doctrine based on *Morton Salt Co.* v *G. S. Suppiger Co.*, 314 U. S. 488 (1942), and that if they had been they would now have long ceased to be subject to such impairment.

[1]Ex. H-5915 (R. 6121, 10901-2).

dustry. A group planning the establishment of a glassware factory in St. Paul as early as 1933 "were considering building the old Owens machine, on which patents had expired."[1]

The Owens Defendants repeat, and emphasize, that 86 of the 98 suction machines actually in use in the Owens plants today have been without patent protection, as to 85 at least since 1933, and as to another at least since 1937. The remaining 12, while they lost all important patent protection in 1933, still involve some miscellaneous minor improvement patents not yet expired.

Despite the Department's attack upon the foregoing statement[2] these facts are established beyond dispute by Exhibit O-6096.[3] That Exhibit evidences the patents actually involved in the Owens models detailed in the Owens Main Brief.[4] Another Exhibit,[5] to which the Department refers as supporting its assertion that 97 of the 98 Owens suction machines are still covered by patents which would block their duplication, is a volume containing all Owens suction patents and indicating those which *could be used,* or *from time to time are used,* as gadgets in connection with some one or another of the Owens models. There were nineteen such patents unexpired at the time of the entry of the decree, none of which was in any way an inherent part of any of the 86 Owens model suction machines or necessary to the operation of any of those Owens models.

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[1]R. 2669.
[2]U. S. Brief, pp. 115-6.
[3]R. 6656-9.
[4]P. 75.
[5]Ex. O-5952 (R. 6263, 12029).

The reasons for the admitted fact[1] that nobody other than Owens has been interested in suction since 1933, and that all of Owens's own licensees have abandoned that apparatus in favor of feeder-former apparatus, have been explained in the Owens Main Brief.[2]

For more than a decade Owens has been without the slightest power, through patents or otherwise, to control any glassware manufacturer's use of suction apparatus, even to the extent of duplicating Owens's own machines. Ball, the last manufacturer to discontinue use of suction, used such apparatus from 1933 to 1940 without payment of royalties to Owens and without renewing its Owens license.

The statement of the District Court, made *at the end of 1942,* that "it is impossible for anyone to obtain a modern suction machine because of the improvement patents that Owens has now taken out or purchased"[3] was based upon a memorandum written in *February, 1930* by a Hartford officer. The extent to which a 1930 situation has been misunderstood as representing the situation in long later years is accentuated by the fact that the same memorandum referred to in the District Judge's opinion in the present case was given publicity in the 1938 T.N.E.C. Hearings[4] and is also referred to in the dissenting opinion in this Court's 1942 decision in *Williams Manufacturing Co.* v. *United Shoe Machinery Corp.*[5]

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[1]U. S. Brief, pp. 7, 10-1.

[2]Pp. 36-8.

[3]46 F. Supp. 541, 573; Opinion, p. 59.

[4]T.N.E.C. Hearings (1938) 777-8.

[5]316 U. S. 364, 380, fn. 10 (1942). To give credence to the 1930 memorandum as implying a present fact and thus in effect re-extend its life (to use a patent analogy), the Department Brief in turn cites the *Williams Manufacturing Co.* case. (U. S. Brief, p. 234).

Apart from the Owens patents (all of which, except for a few covering minor, unnecessary gadgets, expired fully ten years ago) there are other patents in the suction field, over which Owens has no control.[1] The Roirant machine, for example, which is widely used in Europe, is now available here without interference by Owens's patents, despite resort by the Department Brief to ancient history to assert the contrary. The memorandum relied upon by the Department[2] for its assertion that the Roirant machine is dominated by Owens's patents is a June, 1933, letter from a Hartford officer. The Department also refers to the fact that the overhanging lip feature of the stationary glass pot covered by the O'Neill patents, acquired by Owens in 1933, had been used in connection with the Roirant machine. The Department reference is to a 1935 letter by Ball, apparently to someone within the Ball organization. The stationary pot, as well as its overhanging lip feature, is not part of the machine but merely a device which may or may not be used with the machine.[3]

Hartford itself also has some suction patents, in respect of which it has never granted Owens a selling license but has retained full control, without any voice by Owens. Nor is there any inconsistency, as erroneously asserted by the Department,[4] between the fact that no one other than Owens has had any practical interest in suction since before 1933 and the fact that Hartford may have re-

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[1]Owens Main Brief, Appendix B, pp. xix-xxii.

[2]U. S. Brief, p. 116, fn. 74.

[3]See Owens Main Brief, pp. 70-2.

[4]U. S. Brief, p. 342, fn. 91.

frained from granting Owens selling rights in suction in the hope of itself recreating interest in that field through some new development. Hartford has made such efforts, granting two licenses (not one, as stated by the Department[1]) in that field, neither of which came to anything.[2]

Nor does Owens, nor, indeed, do "Corning, Hartford, Owens, Hazel and Lynch," have any monopoly of research activities in the glassware industry, as asserted by the Department.[3] If anything is clear upon this Record it is that since 1935 the research of Owens has been independent of, and competitive with, the research of all the rest of the industry, including that of Hartford. And there is substantial evidence that, notwithstanding the alleged "partnership" and "patent pool," others of the corporate defendants carry on their research independently of each other.[4] Nor is there the slightest evidence that there is no other research

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[1]U. S. Brief, p. 116.

[2]R. 4481.

[3]U. S. Brief, p. 363. Of a piece with this misstatement is the similar charge (U. S. Brief, p. 197) that "as a result of their conspiracy, the appellants were in control of the research and development facilities which would have undoubtedly enabled them to continue their dominance over the technology of the industry * * *." Was the research of Owens which developed the earliest automatic machinery a conspiracy? Of course, it has been seen that the Department charges that the bare invention of automatic machinery gave Owens an illegal "domination." Has the fact that Owens alone of all the glassware manufacturers has been able successfully to operate suction apparatus for mass production, resulting in cheap production, been the result of any "conspiracy" or "domination"? If so, research is itself a "conspiracy" and success in that research is itself "domination."

[4]R. 4478-92, 6575-86, 6594-607.

activity within the glassware industry.[1] The Container Association has itself conducted research, and this Court will take judicial notice of the fact that the Armstrong Cork Company, which is engaged in the glassware field, is one of America's great manufacturers.

But even if it were true, as asserted by the Department,[2] that "smaller licensees * * * lacked the resources, the access to information, and the experience that modern research requires," that fact creates no presumption of illegality against those having resources and experience and creates no possible justification for the perpetual expropriation of their resources and experience by their less successful competitors. The Department recognizes[3] that "the dissolution or disintegration of the specialized research and development organizations would be difficult and perhaps undesirable." It is a vain hope on the part of the Department that "the research and development organizations" will "continue intact" under the provisions of this decree relating to future inventions.[4]

(4) Conclusion.

By its 1935 withdrawal agreements Owens effectively withdrew from any participation or interest in the Hart-

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[1]See FF 391 (R. 7359).

[2]U. S. Brief, p. 363.

[3]U. S. Brief, p. 364.

[4]This is not to argue either that compulsory licensing as applied to everyone by congressional amendment of the Patent Act would either be undesirable or unconstitutional. It is only to point out that putting the appellants "in a different class than other people" (R. 6906) will impair, rather than enhance, lawful competition in the glassware industry.

ford patent "partnership" or "pool." Those agreements were valid and contained no provision restraining trade or tending to monopoly. All possibility of even any theoretical objection to any of their provisions was removed before the entry of the decree.

The Department concedes that the last conference of Owens with Hartford on Patent Office matters was in 1932.[1]

The Department also concedes that Owens did not participate in or contribute to the expense of Hartford's patent litigation after November, 1935.[2]

The last joint acquisition of a patent by Owens with Hartford or any other of the appellants shown by the Record was in 1933.[3]

Indeed, the last acquisition by Owens shown by the Record of a patent from any outsider, as contrasted with the development of patents within its own organization, was in 1935.[4]

Owens has not purchased, or participated in the purchase of, any assets of any other glassware or glass machinery manufacturer since 1935.

Nor has it purchased, or had any interest in, the stock of any glassware or glass machinery manufacturer since 1935.

The criticisms by the Department of the post-1935 conduct of Owens are on their face petty and inconsequential, lacking in any support for a contention that they evidence

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[1]U. S. Brief, p. 61, see Appendix, Section V, p. 426.
[2]U. S. Brief below, p. 158.
[3]FF 310 (R. 7344-5).
[4]Ex. 581 (R. 1387, 9232-5); see Owens Main Brief, p. 26, fn. 1.

a continuing "sharing" by Owens "in the fruits" of an antecedent conspiracy or a "continued participation" by Owens in that conspiracy. But even those trivial criticisms, as has been shown above, cannot, upon analysis of the evidence, be factually supported.

Since October 1, 1935, therefore, Owens has been free from any possible taint arising out of any antecedent relationship or activity which may be open to criticism under the anti-trust laws.

The "reformation" of Owens was no "last minute repentance," "subsequent to the filing of the suit," or even under the threat of suit implied in the T.N.E.C. investigation. It occurred nearly three years before that investigation was authorized, a full four years before the suit was commenced and a full seven years before the decree was entered. It was by no stretch of the imagination "under circumstances indicating that a resumption of the challenged practices is likely."[1]

Most certainly, therefore, "the reward of reformation" as to Owens "is mootness."[2] This is true notwithstanding Owens's belief that many, if not all, of the Department's complaints as to Owens's pre-1935 conduct are unfounded as a matter of law. Owens is so carrying on its business that it will not only in fact conform to the law but that it will so clearly be within the law as to give reasonable hope that it will not be bedeviled either by public authorities or by competitors who may think they have some grievance. Its post-1935 conduct has been the practical expression of that purpose.

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[1]U. S. Brief, p. 314.
[2]U. S. Brief, p. 311.

POINT II

THE DEPARTMENT'S APOLOGY FOR THE DECREE DEMONSTRATES THAT, WITH RESPECT TO SCOPE OF ITS PROHIBITIONS, PATENTS AND PERSONS AFFECTED, AND DURATION OF TIME, IT GOES FAR BEYOND ANYTHING APPROPRIATE "TO PREVENT AND RESTRAIN" THE ALLEGED VIOLATIONS, AND THAT ITS AMBIGUOUS VERBIAGE NECESSITATES ITS COMPLETE REDRAFTING.

In Point III of the Owens Main Brief it was shown that the Department drafted the decree, which was signed by the District Judge with but one substantive change, for the vindictive purpose of putting the defendants perpetually "in a different class than other people," enjoining them "*for all time* from violating statutes on the books," and substituting contempt proceedings for the normal processes of the law, not only in their future glassware business, but also in "every other phase of their businesses." The only substantial change in the draft decree was made when the Department, convinced by the decisions of this Court submitted by the defendants below, acquiesced in limiting the general injunction of Paragraph 9 of the decree to "any of the aforesaid violations" of the anti-trust laws. The Department has now admitted[1] that Paragraph 9, even as so limited, should be completely eliminated, that Paragraph 5 is too broad and should be narrowed, that Paragraph 52 (b) is unintelligible and should be modified, and that there are "several instances in which there may be doubt as to the proper construction of the judgment."

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[1]U. S. Brief, pp. 327-8.

The Department has, by its half-hearted apologies for certain provisions and by its failure to make any real reply to the arguments of the appellants directed at other provisions, also implicitly admitted that many of the other parts of the decree are improper. It contends that the effect of the decree in situations which are likely to arise in the future is a "problem [which] is not now before this Court," notwithstanding the obvious fact that the appropriateness of an injunction can be determined only by reference to its probable operation in the future.[1] It further argues that, even if the decree appears too harsh, no action should now be taken to revise it because the District Judge reserved the power to change its terms.[2] Finally, it seeks to support certain of the obviously too broad injunctions by claiming that the language of the decree is not to be read normally or that it is to be interpreted as subject to unexpressed and undefined limitations and conditions. For example:

(1) a promissory note is not an "evidence of indebtedness";[3]

(2) the qualifications of the Robinson-Patman Act are to be read into the unqualified prohibitions of Paragraph 29 (f);[4]

(3) an applicant for a license under Paragraph 24 may be required to cross-license a defendant, notwithstanding that the decree does not so provide and Paragraph 29 re-

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[1]U. S. Brief, pp. 328-9.
[2]U. S. Brief, pp. 329, fn. 81; 340, fn. 89; 365, fn. 15; 399, 401, fn. 36.
[3]U. S. Brief, p. 400, fn. 34.
[4]U. S. Brief, p. 381.

quires that all licenses granted by a defendant be on equal terms;[1]

(4) "any and all drawings and patterns * * * relating to the machinery or methods used in the manufacture of glassware embodying licensed inventions" does not mean trade secrets relating to patented machinery or methods;[2]

(5) Paragraph 23 must be interpreted in the light of the unrelated Paragraph 25, and, thus read, "equal" does not mean "equal" but "non-discriminatory," which in turn is undefined;[3]

(6) "The form of any agreement between any of the defendants and of any license agreement made pursuant to this judgment and to which any of the defendants is a party * * *" (Par. 31) includes only agreements between the defendants made pursuant to the judgment, notwithstanding that such a reading is grammatically absurd, since it results in the clause being read "any agreement between any of the defendants * * * made pursuant to this judgment *and to which any of the defendants is a party.*"[4]

Similar illustrations could be multiplied almost without end.[5]

In short, the Department now attempts to sustain the provisions of a decree which it purposely made penally[6]

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[1]U. S. Brief, p. 340, fn. 89.
[2]U. S. Brief, p. 340, fn. 90.
[3]U. S. Brief, p. 374.
[4]U. S. Brief, pp. 385-7.
[5]See U. S. Brief, pp. 361, fn. 11; 375; 393, fn. 28; 395, fns. 30, 31.
[6]The contention of the Owens defendants that the provisions objected to by them are essentially penal is not, as the Department suggests (p. 352), merely that such provisions "adversely affect the financial interests of appellants." It is that, at least with respect to the Owens Defendants, the provisions of the decree are so much more drastic than the facts of the case and the law demand or justify that they are but ill-disguised penalties.

drastic to put the defendants "in a different class than other people" by contending (a) in part that the decree does not mean what it says and (b) that, even if it does mean what it says, this Court must close its eyes to the harsh effect its provisions will have because the District Judge may, if he sees fit and upon a proceeding at the expense of an aggrieved appellant, temper the decree from time to time in the future in specific cases.[1]

(1) Paragraphs 24 and 26 of the Decree.

(a) COMPULSORY ROYALTY-FREE LICENSING OF PRESENT PATENTS.

Paragraph 24(a) of the decree requires all the appellants to grant royalty-free licenses under all patents in the glassware field now owned by them or hereafter issued upon applications now pending. Paragraph 26, which is clearly superfluous if Paragraph 24 remains in the decree, prohibits the appellants from bringing any action for infringement of, or collecting any royalties under, any such patents until the District Court finds that the consequences of the conduct of the appellants in violation of the anti-trust laws

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[1]Compare the statement of the Department to the District Judge (R. 6900):

> "* * * what ought to be done here is to enjoin them *for all time* from violating statutes on the books, so that we should not have to institute another proceeding * * * and can come before Your Honor * * * and seek to hold them in contempt."

with its statement to this Court (p. 329, fn. 81):

> "* * * it is not our position that all of its provisions should necessarily run in perpetuity."

have been fully dissipated. The impropriety of these Paragraphs has been discussed in the Owens Main Brief.[1]

The Department's principal argument[2] in attempted justification of compulsory licensing is that the only practical alternative to a dissolution of Hartford "is to compel *Hartford* to license all comers."[3] That argument obviously has no applicability to all the other appellants, who are similarly required to grant royalty-free licenses under all their patents for all time.

The Department further contends that "the patent rights illegally accumulated in the pool" should be opened to the public[4] and that licenses should be royalty-free because the "appellants have no right to enforce patents" which are "the consequences of an illegal conspiracy" and have been "unlawfully procured."[5] In making this contention, obviously based upon this Court's decision in the *Keystone Driller* case,[6] the Department forgets the stipulation it made below (for the purpose of excluding evidence tendered by appellants) that the validity and correctness of any award of priority of the patents of the appellants was not in issue in the case.[7] Even if its present

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[1]Pp. 124-54.

[2]U. S. Brief, pp. 332-42.

[3]U. S. Brief, p. 339. See also U. S. Brief, pp. 337-8: "At the heart of the district court's remedy were the requirements that *Hartford* should agree * * * to grant royalty-free licenses to all applicants * * * ", p. 339: "To have left *Hartford* with the power to choose *its* own licensees would have enabled *it* to maintain the other appellants in the favored position * * *," p. 342: "* * * the court * * * could adopt this method, rather than the dissolution of *Hartford*."

[4]U. S. Brief, p. 340.

[5]U. S. Brief, pp. 345-7.

[6]*Keystone Driller Co.* v. *General Excavator Co.*, 290 U. S. 240 (1933).

[7]R. 5635; *cf. United States* v. *American Bell Telephone Company*, 167 U. S. 224 (1897).

argument were open to the Department in the face of this stipulation, the Department would certainly be called upon to specify which of the patents of each of the appellants had been illegally obtained as the Department now contends, in order that the appropriate relief might be directed and limited to the patents so affected.

Without controverting the fact that the doctrine of the *Morton Salt* case disables a patentee from bringing a suit (a) only in respect of *misused* patents, (b) so long as the misuse continues, and (c) where such suit is brought to further such misuse, the Department nevertheless seeks to dispose of the "misused patent" limitation on the ground that "Inasmuch as all of the patents *owned by Hartford*, however obtained, were employed to strengthen the power of the combination, there is no basis for differentiating between them."[1] And it seeks to render lip service to the time limitation by arguing that, because "the patents are themselves the consequences of an illegal conspiracy,"[2] none

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[1]U. S. Brief, pp. 347-8. In attempting similarly to avoid differentiating between Owens patents, the Department abandons its basic theory that patents were "unlawfully procured" and seeks indiscriminately to attaint all the Owens suction patents on the ground that they "were a part of the pool because employed through a common understanding [with Hartford] to divide" the suction and gob fields (p. 348, fn. 96). The short answer is that no such understanding existed because (a) no one else was interested in suction and (b), as Peiler testified in elaboration of his testimony quoted by the Department as to the 1924 situation, "as far as suction was concerned, they [Owens] were already established, and what little I had done in suction didn't amount to much, so we [Hartford] couldn't have touched them at the then stage of the game on suction. It was an established thing, in other words." (R. 4689-90). See p. 21, *supra*.

[2]U. S. Brief, p. 346.

of the defendants will be able to show that the consequences have been dissipated prior to the expiration of such patents.[1]

As to the first of the *Morton Salt* limitations, misuse by Hartford of Hartford patents is not misuse by Owens of Owens patents, and neither Paragraph 24 nor Paragraph 26 is limited to Hartford or Hartford patents. Nor is either Paragraph limited to patents which "are themselves the consequences of an illegal conspiracy," if any patents of the Owens Defendants can be so described, or to patents "illegally accumulated in the pool." Both Paragraphs apply to *all* patents of *all* appellants in the glassware industry. The arguments of the Department do not, therefore, fit the broad scope of the decree. By disregarding the applicability of Paragraphs 24 and 26 to all the patents of all appellants and arguing as if those Paragraphs were directed only against the patents "unlawfully procured" or "illegally accumulated in the pool" by Hartford, the Department concedes that both Paragraphs, if at all appropriate in theory, are improper in scope as to patents affected. The virtual confinement to Hartford of even the Department's narrow arguments concedes that both Paragraphs are inappropriate in theory as applied to appellants other than Hartford.

As to the second of the *Morton Salt* limitations, that relating to the duration of the patent infirmity, the Department concedes that Paragraph 24 goes too far in compel-

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[1]This argument is inconsistent with Paragraph 26 of the Department's decree, which expressly assumes that the appellants will be able to show that the consequences of their conduct in violation of the anti-trust laws have been fully dissipated prior to the expiration of such patents.

ling licenses for the lives of the appellants' patents when it concedes, at page 408, that it will not be long before the court below will find "that violations of the antitrust laws have ceased * * * and that no reasonable probability remains that the practices found to be illegal will be resumed."

The Department also urges that a confiscation of all present patents of all appellants, corporate and individual, is lawful because a patent is a "franchise" which "is inherently subject to curtailment."[1]

Nothing in the cases cited by the Department in support of its statement at page 355 that "a patent has often been characterized as a franchise" supports the argument that a District Judge can cancel, curtail or condition the use of a patent in any way he sees fit. Mr. Justice Clifford, in the two leading cases cited by the Department in support of its statement that a patent is a "franchise,"[2] was careful to state that an invention secured by a patent "is property in the holder of the patent, and that as such the right of the holder is as much entitled to protection as any other property, during the term for which the franchise or the exclusive right or privilege is granted." This Court has long recognized that the right to exclude others from making, using and vending, which is the only right conferred by a patent, is not a mere "franchise" but a property right[3]

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[1]U. S. Brief, pp. 355-9.

[2]*Seymour* v. *Osborne*, 11 Wall. 516, 533 (1870); *Cammeyer* v. *Newton*, 94 U. S. 225, 226 (1876).

[3]*United States* v. *Dubilier Condenser Corp.*, 289 U. S. 178, 189 (1933); *William Cramp & Sons Ship & Engine Building Company* v. *International Curtis Marine Turbine Company et al.*, 246 U. S. 28, 39-40 (1918); *Solomons* v. *United States*, 137 U. S. 342, 346 (1890); *Hollister* v. *Benedict & Burnham Manufacturing Company*, 113 U. S. 59, 67 (1885); *James* v. *Campbell*, 104 U. S. 356, 357-8 (1881).

which can neither be taken without compensation nor canceled (save for fraud or deceit in procuring issuance) by the Government.[1]

Calling a patent a "franchise" does not make even remotely relevant all the irrelevant cases cited by the Department with respect to irrigation rights in Puerto Rico, public water works in Galesburg, Illinois, a corporate charter to encourage the improvement of running, trotting and pacing horses in St. Louis, a municipal ordinance licensing a corporation to maintain electric wires, canal rights in a public forest, etc., just because they deal with breaches of conditions of "franchises" of one sort or another.[2] Nor is the Department's quotation from the *Tri-Ergon* case[3] any more closely in point. The portion of the opinion in that case which the Department quotes[4] deals with the rule that unreasonable delay in making a disclaimer invalidates the whole patent; it obviously has no relation to the propriety of incorporating drastic and confiscatory provisions in a remedial decree in an anti-trust case.

The Department further urges that nothing of value is taken by requiring all the appellants to grant royalty-free licenses under all their glassware patents because, it

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[1] *James* v. *Campbell*, 104 U. S. 356, 357-8 (1881); *United States* v. *American Bell Telephone Company*, 167 U. S. 224 (1897).

[2] U. S. Brief, pp. 355-6; *cf.* the Department's misleading contention at pages 343-4 that cases permitting combinations serving as public or quasi-public utilities to continue in existence if membership therein be opened to all are analogous to compelling each individual member of an alleged conspiracy to grant licenses under all its patents after the conspiracy has been dissolved.

[3] *Altoona Publix Theatres, Inc.* v. *American Tri-Ergon Corp. et al.*, 294 U. S. 477 (1935).

[4] U. S. Brief, p. 356.

says, under the doctrine of the *Morton Salt* case the appellants could not enforce any of such patents at any time prior to their expiration.[1] The *Morton Salt* doctrine, if at all applicable, would not apply to the great majority of the patents of the Owens Defendants which were not or could not have been "misused" as factors contributing to the alleged violations. Nor is it possible, in the light of the Department's concession that the alleged violations will shortly cease and there will be "no reasonable probability * * * that the practices found to be illegal will be resumed,"[2] that the *Morton Salt* doctrine will continue to be applicable to any Owens patent for any substantial period. Hence, as to all the Owens patents never misused, and as to all the Owens patents after any effect of the misuse has been dissipated, Paragraph 24 clearly takes from the Owens Defendants something "of value." That taking is unnecessary for the lawful purposes of any degree in this case.[3]

The Department's theory of the *Keystone Driller* and *Morton Salt* cases and its broad, unsupported assertion that most of the patents of all the appellants are tainted by fraud in their procurement, or misrepresentation in their enforcement, or misuse in the transaction of the business affected by them, demonstrate the lack of necessity for such provisions as those of Paragraphs 24 and 26 even as to alleged illegally procured or misused patents. If any of the patents (none of which is identified by the Department) of any of the appellants are subject to the infirmities asserted by the Department, an infringer, under the doctrine of the *Keystone Driller* or *Morton Salt* case, would have a perfect

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[1]U. S. Brief, pp. 359-60.
[2]U. S. Brief, p. 408.
[3]U. S. Brief, p. 408.

defense to any suit which the patentee might be so rash as to bring in the light of the Department's factual contentions. Perhaps the reason the Department is so insistent upon incorporating those Paragraphs in the decree is that it recognizes that its assertions are without proof in this Record, infringe upon its stipulation below, and, at least with respect to the patents of most of the appellants, are without foundation in fact. In the latter connection, it is to be noted that the last of the alleged conferences between Owens and Hartford upon Patent Office matters or upon patent litigation occurred in 1932, while most of the alleged cooperation in connection with patent claims occurred during 1924-1926. That means that substantially all the patents even in the gob field, whether of Owens or of Hartford, under alleged infirmity because of joint Patent Office action between Owens and Hartford, either have already expired or will shortly expire. No Owens patents were affected by the alleged Clarke article episode; the principal Hartford patent so affected will expire in 1945. No Owens suction or annealing patents were ever the subject matter of any such alleged unlawful action. The *Keystone Driller* doctrine, therefore, does not apply to any Owens patent. Nor does the doctrine of the *Morton Salt case* support the application of either Paragraph 24 or Paragraph 26 indiscriminately to patents of the Owens Defendants which were not alleged or shown to have been factors contributing to the alleged violations, which have not yet issued upon pending applications and which never could have been such contributing factors.

This Court's decisions in the *Keystone Driller* and *Morton Salt* cases, it is submitted, not only do not support incorporation in the decree of Paragraphs 24 and 26, but on

the contrary they dispose of any necessity for any such reckless condemnation of *all* the patents of *all* the appellants as a means of preventing enjoyment of the "fruits of the conspiracy" with respect to such patents as may in fact be subject to that indictment.

The Department finally contends that royalty-free compulsory licensing is lawful because the appellants have not denied that it is an effective means of remedying the alleged violations of the anti-trust laws and do not suggest any other remedy which would be adequate. This contention is belied by the precise statement of the position of the Owens Defendants in the Owens Main Brief. At page 123 the Owens Defendants took the position that the decree, modified as thereinbefore suggested (*i.e,* to clarify its ambiguities and eliminate its many overreaching restraints) and with Paragraphs 24, 29, 51 and 52 deleted, would be "entirely adequate and effective to 'prevent and restrain' all the violations of the anti-trust laws found to exist in the present case and any similar violations." With respect to Paragraph 24 in particular, the Owens Defendants not only denied that its provisions were an effective means of remedying the alleged violations of the anti-trust law but they asserted that it "defeats the very purpose of a decree under Section 4 of the Sherman Act,—lawful competition among *all* members of an industry."[1]

(b) COMPULSORY LICENSING OF FUTURE PATENTS AT A REASONABLE ROYALTY.

The Department makes no serious effort to sustain the provisions of Paragraph 24(b) of the decree requiring all

[1]Owens Main Brief, pp. 153-4.

the appellants to grant licenses under all future patents in perpetuity for royalties to be determined by the District Judge in proceedings to be participated in by the Department of Justice. Its sole argument is that such a provision is reasonable because:

> "As a result of the success of the conspiracy, research activities in the glassware industry were largely, if not entirely, carried on by appellants, Corning, Hartford, Owens, Hazel, and Lynch. * * * the illegal conduct of appellants had not only given them control of the existing technology of the industry, but it had also placed them in a position where they could reasonably expect to control the future of that technology."[1]

Not a single Record reference is cited for this premise of the Department's argument nor for its conclusion that to allow each of the appellants normal rights in the separate results of its individual future research would "present a threat of a renewal of the conspiracy."[2]

Whatever "control" Owens may have over the technology of suction goes back to the invention by Michael J. Owens of suction gathering prior to the turn of the century and his subsequent invention in 1903 of automatic machinery using that principle. The control which Owens had over the suction field until 1933 was due to the patents it had properly taken out on its own early developments in the field. Now that all its basic patents and its important improvement patents in respect of suction have expired, its only "control" over technology in that field is derived from the "know how" accumulated over the years and the

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[1]U. S. Brief, pp. 363-4.
[2]U. S. Brief, p. 366.

unremitting efforts of its research organization. That "know how" is no "result of the success of the conspiracy" nor does it give rise to "the danger of subtle moves to circumvent" the provisions of the decree dissolving the "conspiracy" and perpetually enjoining joint or concerted action by the appellants.

The Department has not advanced a single cogent argument in reply to those made at length by the Owens Defendants[1] nor has it cited a case[2] supporting the imposition of perpetual compulsory licensing upon all the appellants and the constitution of the Federal District Court as their perpetual licensing agent. Nor has it suggested any reason why this Court should legislate a remedy which Congress has rejected many times since 1877.[3]

(2) Paragraphs 51 and 52 of the Decree.

The practical effect of Paragraph 51 of the decree is to enjoin the Owens Defendants from acquiring from others any patent rights, other than non-exclusive, in the glassware industry; Paragraph 52 in effect perpetually en-

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[1]Owens Main Brief, pp. 138-54.

[2]*United States* v. *E. I. du Pont de Nemours & Co.*, 1 Decrees and Judgments in Federal Antitrust Cases 195 (D. Del., 1911), cited by the Department at p. 365, was a decree to the provisions of which the defendants consented and required the furnishing of information only to two new corporations to which du Pont consented to transfer its assets and business in explosives; the quotation from *Standard Oil Company (Indiana) et al.* v. *United States*, 283 U. S. 163, 172 (1931), cited by the Department at the same page, was obviously not directed at the appropriateness of compulsory licensing as a remedy but at whether or not failure to license others under conditions which cannot hereafter exist, if they ever did exist, in the glass industry was a violation of the anti-trust laws.

[3]Owens Main Brief, pp. 147-54.

joins the Owens Defendants from applying for patents covering their own inventions in the glassware-making art.[1]

The Department seeks to support the prohibition of Paragraph 51 against acquisition of patent rights from others by two arguments.

Its first is that, notwithstanding the admitted validity of such acquisitions by the appellants in most situations, "it cannot be assumed that their purpose in engaging in any such acquisitions in the future will be innocent."[2] The alleged illegality of prior acquisitions arose out of the alleged conspiracy; Owens has not been a party to the alleged conspiracy since 1935, if any conspiracy ever existed. It must be assumed that the purpose of the Owens Defendants in any future acquisitions will be entirely legal. Furthermore, the Department misses the point: to support the broad prohibition it must be affirmatively assumed that the purpose of *every* future acquisition will be illegal, and certainly no such assumption would be justified.

The other justification which the Department advances for the prohibition against acquisition from others is:

> "The pool is large enough, and the time has come when its enlargement through further acquisitions should be stopped."[3]

But the Owens Defendants have not been in the "pool" since 1935, even as to gob feeders and formers, and, assuming the propriety of any decree against the defendants, the "pool" will cease to exist in so far as it is found to be illegal.

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[1]Owens Main Brief, pp. 173-92.
[2]U. S. Brief, p. 370.
[3]U. S. Brief, p. 372.

Furthermore, the last acquisition by Owens of any patent rights from outsiders was in 1935, eight years ago.[1]

The Department has conceded that Paragraph 52 is unintelligible.[2] In lieu of the original provision of clause (b) of that Paragraph, the Department now suggests that a defendant shall be punishable for contempt if the intention of an applicant for a patent is "never" to make "commercial" use of the patent, failure to make such use within *four* years after the issuance of the patent to be *prima facie* proof of an intention existing at the date of the application *never* to make such use. A presumption that failure to do an act for four years indicates an intention, existing a year or more before the start of that period, not to perform that act during such four years or the period of thirteen years thereafter is certainly a novel presumption and one devoid of that degree of probability normally characteristic of presumptions.

The Department's argument in support of Paragraph 52 is that the filing of an application for a patent for the sole purpose of preventing use of the invention by others and without an affirmative intention by the inventor of using it himself is a manifest abuse of the "patent privilege."[3] But this Court has long held that a patentee has

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[1]Owens Main Brief, p. 176.

[2]U. S. Brief, p. 328. That Paragraph prohibits all the appellants from filing applications for patents on their own inventions in the glassware field if (a) the purpose of obtaining a patent is to prevent or hinder—as the purpose of obtaining any patent always is—the use of an invention alternative or similar to one already patented, and (b) there is an intention of not making use of such invention within four years of the issuance of the patent, failure to make such use being *prima facie* proof of the absence [*sic*] of such intention.

[3]U. S. Brief, p. 384.

no obligation to use the invention or grant its use to others.[1] Congress has many times refused to compel the "working" of patents.[2]

The Department disclaims any intention to enjoin an appellant from applying for a patent "because it might hinder or obstruct the development of alternative processes by others," stating that the determination of whether an appellant subjects itself to contempt proceedings by applying for a patent will depend "upon the state of mind of the applicant." But at the time of filing most patent applications there is no "state of mind", one way or the other, as to their commercial use. What is invented today may be wholly superseded or shown to be commercially impracticable by the time the patent is issued. To subject the appellants to a perpetual barrage of contempt proceedings in respect of all patents not used within four years, in which they will have the burden of overcoming *"prima facie* proof" as to a state of mind some five or more years before, has no reasonable or other relationship to "preventing and restraining" them from violation of the anti-trust laws. So to plague the Owens Defendants, who are not shown ever to have had the evil "state of mind" which is to be the touchstone of illegality, is completely unjustified.[3]

Paragraphs 51 and 52 of the decree must be deleted, at least as to the Owens Defendants.

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[1]*Continental Paper Bag Company* v. *Eastern Paper Bag Company*, 210 U. S. 405, 424, 429-30 (1908).

[2]Owens Main Brief, p. 190.

[3]The Department contends (pp. 234-7) that Hartford had a policy of "blocking" and "fencing" and that Hartford's policy is to be ascribed to Owens because (a) Hartford "boasted" about it (Ex. 31, R. 12445); (b) in 1922 Hartford tried to sell Owens on the idea of licensing it under Owens feeder patents on the

(3) Paragraph 29 of the Decree.

(a) LIMITATION OF LICENSES.

Paragraph 29 (a), the effect of which is to prohibit all the Owens Defendants from entering into any license or other agreement involving their inventions, *in any field of industry,* which does more than create a non-exclusive and wholly unrestricted right to use the inventions, has been discussed in the Owens Main Brief.[1] Not only does the Department not make any substantial arguments in reply

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ground that Hartford would be interested in supporting their validity (Ex. 34, R. 12456); (c) Owens took a license under Hartford's suction patents in 1932, some of which are charged by the Department to have been applied for to "block" or "fence" (the Record showing that Owens itself was the principal one to be "blocked" or "fenced" (Ex. 388, R. 12974) and failing to show that Owens knew of the purpose for which such applications are supposed to have been filed); and (d) that, in 1930, Owens "joined 'in friendly rivalry' with Hartford to block off O'Neill" (the only Record citation by the Department being a sentence in an Owens memorandum in 1930 stating that Owens and Hartford were "in friendly rivalry to take out additional patents on improvements needed in the present O'Neill machine in order to improve its construction to the point of commercial practicability." (Ex. 630, R. 13286)). The O'Neill machine was developed some time after Soubier, an Owens inventor, had filed an application for a patent containing a claim which covered O'Neill's subsequent development but which also contained another claim likely to come into interference with a Hartford application. The conference between Hartford, which was entitled to a license under the Soubier patent, and Owens to which the Department refers at page 92 was for the purpose of expediting the issuance of a patent including the claim, which had been allowed, reading on O'Neill's subsequent machine. Since the application had been filed before O'Neill developed his machine, the Department's reference to the episode merely constitutes an illustration of its novel concept of "blocking off" and "fencing in."

[1]Pp. 154-73.

to that discussion or in support of the Paragraph, but such argument as it does make assumes injunctions of much narrower scope both than (a) the language of Section 29 or (b) the intent of the Department expressed in presenting the draft decree below.[1]

In presenting the draft decree to the District Judge, the Department stated that Paragraph 29 had been deliberately drafted to apply to *any* product made by *any* of the appellants.[2] The prohibitions of that Paragraph are not limited to licenses or other agreements under patents (i) used in the alleged violations of the Sherman Act, or (ii) now in existence even in the form of applications, or (iii) used in the glassware industry. *They extend broadly to every patent, present or future, of every Owens Defendant in every field, whatever may be the nature of the machine, process or product affected by the invention.*

In support of the extraordinary extension to all the business of an appellant of an injunction in a case dealing with only a portion of that appellant's business, the Department merely points out that there is reason to believe that a large percentage of the Owens patents do not relate to the glassware industry and that Owens has a substantial business in cans and a large interest in the manufacture of fiberglas.[3] Reference is also made to the fact that other

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[1]U. S. Brief, pp. 376-81.

[2]"We intend Paragraph 29 to apply to *any product* made by *any* of the defendants. And that was done deliberately." The purpose was "so that we should not have to institute another proceeding against them and have years go by before we get a decree; and so that we can come before Your Honor, or before some successor of Your Honor, and seek to hold them in contempt." (R. 6900, 6905)

[3]U. S. Brief, p. 380.

appellants are also interested in other fields than glassware, such as plastics. The fact that an appellant alleged to have violated the anti-trust laws in one field has large interests in another field in which it is not alleged to have violated the anti-trust laws would scarcely seem to be support for extending the provisions of the decree into fields in which it is presumed to have acted innocently. Such an extension is a rank discrimination against the appellants in their competition with those already in such other fields; as to those extended fields Paragraph 29 itself creates restraints on trade and suppresses lawful competition. Nor does the argument of the Department that the propriety of such an extension of the decree into fields entirely foreign to the subject matter of the suit should depend entirely upon what the District Judge "feels justified under all the circumstances of the case" appear cogent. Paragraph 29 is not a provision directed to "prevent and restrain" any violation of the anti-trust laws before the Court under the present complaint. It is a bald attempt to substitute contempt proceedings for normal processes of law in dealing with uncharged, unproved, unthreatened, wholly imaginary future violations in fields of business undefined except by the inclusion of all fields of business in respect of which there may be any patents.

The Department relies on the *Univis*[1] and *Ethyl*[2] cases as supporting an injunction in perpetuity against any limitation by any appellant, acting alone, upon the extent to which it will waive the exclusive right granted by any present or future patent in any field. But it overlooks the fact

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[1]*United States* v. *Univis Lens Co.*, 316 U. S. 241 (1942).

[2]*Ethyl Gasoline Corporation* v. *United States*, 309 U. S. 436 (1940).

that in each of those cases this Court struck down a licensing system because the whole system was illegal and not "a necessary or proper means * * * to carry out other lawful purposes." Those cases may support Paragraph 30 of the decree, which is directed at the disestablishment of Hartford's licensing system.[1] They do not lend any color of support to a decree perpetually prohibiting each of the Owens Defendants, in gross and acting alone, from limiting whatever licenses they may choose to grant under their patents, a practice the legality of which "has never been questioned."[2]

The multitude of cases supporting partial waivers in patent licenses of the patentee's right of total exclusion, may not be brushed aside by the Department on the ground that they involved only single patentees;[3] Paragraph 29, operating in the future and assuming the dissolution of "the combination," prohibits normal licensing procedures by "single patentees."

(b) Private Robinson-Patman Act.

It has been pointed out,[4] as an illustration of the rashness with which the decree was drafted and accepted, that Paragraph 29(f) legislates a private Robinson-Patman Act applicable for all time not merely to all the patents of all

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[1]The Department's argument (p. 378, fn. 23) that Paragraph 30 does not duplicate Paragraph 29 because it is necessary both to enjoin Hartford from imposing and the other defendants from submitting to restrictions is "double-talk."

[2]*General Talking Pictures Corporation* v. *Western Electric Co. et al.*, 305 U. S. 124, 127 (1938), rehearing denied, 305 U. S. 675 (1939).

[3]U. S. Brief, p. 253.

[4]Owens Main Brief, p. 169.

the appellants in all fields but also to all sales by all the appellants of patented products, without any of the safeguarding qualifications and restrictions which Congress felt necessary to incorporate in its version of such an act. To this the Department replies only that the qualifications expressly legislated by Congress are to be read into the unqualified language of Paragraph 29(f).[1]

But the fundamental objections to Paragraph 29(f) are not removed by the superficial suggestion made by the Department. There is nothing in the patent law or the antitrust law which causes patent licenses and patented products to be so affected with a public use as to compel patentees to treat all licenses and vendees equally and without discrimination.[2]

(4) Paragraphs 33-36.

The Owens Defendants urged in their Main Brief[3] that the prohibitions of these Paragraphs, outlawing insignificant investments in non-competing companies, should be modified:

> (i) to prohibit only acquisitions of stock, bonds and evidences of indebtedness in amounts which might affect competition; and
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> (ii) to prevent acquisitions of securities and the holding of offices or directorships only in other corporate defendants and in other corporations truly competitive with the corporate defendant in which the affected individual defendants hold securities or offices.

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[1]U. S. Brief, p. 381.
[2]Owens Main Brief, pp. 167-70.
[3]Pp. 192-4.

The Department makes no reply to that suggestion and, in effect, concedes its soundness by stating that the purpose of these Paragraphs is to prevent suppression of *competition* and referring to the fact that "Provisions against stockholdings *in competing companies* * * * are familiar in anti-trust decrees."[1] The decree must at least be modified to fit the argument of the Owens Defendants.

(5) The Impact of the Decree Upon the Individual Defendants.

The decree extends to the individual Owens Defendants, not in their representative but in their personal capacities, and against their personal patent rights, (a) without regard to their discontinuance of any connection with Owens, and (b) in fields disassociated from the glass industry. Despite the fact that only four of the thirteen individual Owens Defendants can fairly be said to have had any knowledge of the over-all significance of the transactions found to have been illegal,[2] they are all penalized, for acting in purely representative capacities, as if they had been principals to the alleged conspiracy. There is no reason for directing the punitive provisions of this drastic decree against all the personal patents and activities of these individuals, both present and future:[3]

> "We see no necessity for orders directed against individual defendants by name. Where corporate

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[1]U. S. Brief, pp. 401-2.

[2]Owens Main Brief, pp. 88-103.

[3]To take one illustration: all the personal patents of the Owens individual defendant Root are expropriated and all his personal conduct is perpetually subjected to threat of contempt proceedings because (1), as the Department phrases it (p. 433), he "arranged for the purchase by Owens of Root Glass Company," *i.e.*, he sold his own company to Owens, in 1932; (2) as

practices are forbidden or ordered the usual inclusion of the corporate defendants, and their directors and officers is sufficient."[1]

One of the Department's most strained arguments is that by which it attempts to sustain the penalties imposed upon the individual appellants.[2] The argument is that, because they were "the human agents" through which the corporations which they respectively represented violated the law, there is a "dangerous probability that they will attempt to do as individuals" with their individual patents what they have been enjoined from doing with corporate patents. Hence all their patents are to be subject in perpetuity to the drastic provisions of the decree, notwithstanding the fact that there is not the slightest evidence as to any of the individual Owens Defendants that his patents were in any manner illegally acquired or used. Realizing that such an argument is foolish on its face, the Department characteristically disclaims that it results in any hardship, because any individual appellant is always free, at his own expense, to hazard the chances of a petition to modify the judgment.

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a director of Owens he authorized the 1935 withdrawal agreements; and (3) he attended a meeting in 1932 at which, according to a Finding of Fact (FF 591 (R. 7393)), he participated in urging Collins to surrender the license which General Glass had from Hartford to manufacture fruit jars. The part of the Finding dealing with the purported meeting with Collins is, although inadvertently uncontested, completely unsupported by the Record, which places him at the Glass Association meeting at White Sulphur but does not even place him in the room when the talk with Collins occurred. (R. 2146-7).

[1] *United States* v. *Pullman Co. et al.*, 50 F. Supp. 123, 136 (E. D. Pa., 1943).

[2] U. S. Brief, p. 392.

The patent injustice of the decree to the individual Owens Defendants is accentuated by the fact that as to several of them the only charge of the Department against them is that they voted for the Owens 1935 withdrawal agreements. With that exception, and with the further negligible exceptions noted in the footnote,[1] not a single act of any individual Owens Defendant complained of by the Department occurred after 1933.[2]

POINT III

CONCLUSION.

All the Owens Defendants, having sustained whatever burden is upon them to demonstrate their withdrawal in 1935 from any antecedent illegal conduct, are entitled to a dismissal of the complaint. In any event, if it be the view of this Court either that some of their pre-1935 activities should be enjoined or that the activities of the Glass Con-

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[1](1) Martin sat in on a conference in December, 1934, concerning an Owens insulator license; (2) in 1934 Martin, at Belknap's direction, collected evidence, which could have been obtained by subpoena, relating to an action for infringement of Hartford's lehr patents; (3) Thatcher and Hazel stock theretofore acquired by Illinois was distributed to Levis in liquidation in 1938 and sold by him prior to this proceeding; (4) Barnard was a director in the Association from 1937; and (5) in 1937 Belknap had the casual conversation with Collins which is referred to above at page 17.

[2]U. S. Brief, pp. 431-3.

tainer Association require some relief directed to those activities, the decree requires radical modification to limit it to preventing and restraining such activities.

Respectfully submitted,

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